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Education and the Labor Problem

By LEO WOLMAN

AT A TIME when the most important decisions in economic policy appear to rest on "facts," it has become imperative to know what the facts are and how they should be used. This applies especially to the American labor problem.

In making labor policy, everybody appeals to the facts. The government contemplates putting the settlement of industrial disputes up to fact-finding boards. The CIO, the AFL and an increasing number of national unions now have their own economic research or advisory departments whose purpose it is to supply the union policy makers and executives with the facts. More and more government departments are asked to supply unions with the requisite data. So sensitive has organized labor become to the facts and their possible misinterpretation that the widely circulated *CIO News* has from time to time carried a column entitled, "It's a Lie." The compiler of this feature picks out of the press alleged statements of fact which, in his judgment, distort or conceal the truth. It is a poorly run column but its intentions are doubtless good.

FACTS ARE COMPLICATED

But economic facts are complicated. They have a history. They are the product of definition and, often, of practical considerations which determine how certain facts are collected and presented. Users of economic facts ought to be assisted by skilled and experienced guides who are not afraid to tell their employers what they know. In this way a good deal of the misuse and misinterpretation of facts could be avoided.

Take, for example, the case of H. W. Brown, President of the International Association of Machinists. He is reported to have written President Truman that wages, according to the 1939 Census of Manufactures, amounted to only 16% of the value of all

manufactured goods. That being the case, he says, how can a wage increase matter much since it appears to affect only a small proportion of the cost of production. *The New York Times*, which reports the letter, takes the communication so seriously that it introduces Mr. Brown's communication with these words: "The controversy over the relationship between labor costs and prices was kept boiling today. . . ."

Now the fact is that Mr. Brown, president of a union claiming more than 500,000 members and charged with promoting their economic interests, is either careless or misinformed. Anyhow, he has not thought his way through the figures he is calling to the President's attention. A considerable essay could be written on the statistical problems which he raises.

Let us deal with the simplest and most obvious features of these figures. What Mr. Brown is trying to measure is the importance of the wage bill in the manufacturing business. Unluckily, he has not succeeded in measuring it at all. Take first a relatively minor oversight. Mr. Brown counts wages, but not salaries. One is as important as the other. The wage and salary bill in 1939 constituted 20%, not 16% of the value of manufacturing output.

TWO KINDS OF WAGE COSTS

There is, however, a vastly greater and more significant oversight whose magnitude even the Census underestimates. What Mr. Brown disregards or overlooks is that a manufacturing establishment pays wages and salaries in at least two forms—directly through its own payrolls and indirectly through the purchase of materials, fuels, services and the like. These purchases amounted in 1939 to 57% of the value of manufacturing output. These purchases contain a large wage and salary bill. If that bill goes up, manufacturing has to stand the cost, just as it has to

stand the cost of a rise in its own direct payroll. Mr. Brown, and others who use figures as he does, elect to disregard these large and unavoidable charges on business and hence arrive at misleading and false conclusions.

Choosing the facts one uses, without regard to the purpose of the inquiry, is bound to lead to confusion and misconceptions, and not to clarification. The errors into which Mr. Brown falls illustrate this conclusion. The same sort of thing happens in the use of productivity or efficiency data. It is rarely made clear to what the data apply or should apply. Do they represent the performance of a plant, or an industry, or a combination of industries, or the entire economic system. In considering advances in efficiency as the source of higher wages, the very first question to ask and to answer is whose wages and whose efficiency. Yet this question is hardly ever mentioned, much less asked.

Facts, also, are inextricably bound up with theory, purpose, policy. Any intelligent and intelligible use of facts requires an accompanying statement of what they are for, what purpose they serve, what policy they are designed to make effective. Suppose, for example, we knew that a given collection of industries was increasing their man-hour output at the rate of 5% a year. How are we to determine the distribution of these gains. This decision is obviously not a purely statistical one. It is a decision in policy. What the decision depends on our understanding of the way a particular economic system operates.

The same thing can be said about profits. How can Mr. Robert Nathan or anyone else know that profits in a specified fiscal period are too big or too little, or just about right; or that they should be reduced to what they were in 1935-1939? Any such conclusion is obviously not a mere matter of arithmetic. It is a conclusion in economic theory. It rests on a series of assumptions as to what happens if profits are treated in this way or that. These assumptions in turn depend, or should depend, on what we know about profits. And what we know, or should know, about profits is not alone their size, but the functions they perform or what they are used for.

The public, when it is confronted with economic facts in their infinite variety, ought to be told what they are for and what they mean. The trade union public ought to receive clearer and more reliable explanations of facts from their economic advisers than they now do. No one's genuine interest is served through the use of inadequate, or incorrect, or irrelevant data.

RESPONSIBLE UNDERTAKING

This amounts to saying that the use of facts in making private and public policy is a responsible undertaking. The most difficult and pressing task before American business is to cooperate in making available

the important and relevant facts and in disseminating them to as wide an audience as possible. The explanation of how a private competitive economic system works and what contributes to its prosperity and stability should no longer be left to chance or propaganda. It is possible by the wise expenditure of funds to acquire a much more thorough and reliable knowledge of the operation of the American economy than anyone today possesses. The business community of the United States would be well advised to turn its interests in this direction at the earliest possible moment.

Three Decades of Shared Profits

SINCE 1912, the Eastman Kodak Company, Rochester, New York, has shared its profits with employees. From the inception of its wage dividend plan, approximately \$75 million has been paid out to eligible employees. The current distribution, which will be sent to eligible employees in March, 1947, amounts to approximately \$8.5 million. This is the largest single payment in the company's history. For employees who have completed five years' service, the dividend check represents about four and one half times their average weekly wages during the five-year period. Employees with less than five years' service will receive proportionately less.

The Eastman Kodak plan provides for a dividend to employees which rises or falls with the amount of dividends declared on the company's common stock. For each dollar of declared annual dividends above \$3.50, eligible employees receive 0.5% of their salaries or wages for the five years immediately preceding the date of payment. Inasmuch as the common stock dividends during the current year are \$7, the individual's share amounts to 1.75% ($0.5\% \times \$3.50$) of his total compensation received during the years 1942 through 1946. More than 47,000 Kodak employees in the western hemisphere will receive payments under the plan. If an employee's computed share is less than \$15, a minimum of \$15 will be paid.

All employees hired on or before October 1 who are at work at the end of the year are eligible to participate. Those hired after October 1 are eligible if they are at work on the date of payment.

The company points out that the dividend is paid in recognition of the part employees play in the success of the business. It is not taken into account by the company in establishing wage rates.

F. BEATRICE BROWER
Management Research Division

Production Control in a Seasonal Industry¹

By A. H. ROBINSON

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DURING this postwar readjustment period, interest in employment stabilization has been revived, and managements in many companies are studying ways and means of providing wage earners with steadier jobs. Guaranteed annual wages are also attracting widespread attention. If I were to select a text for this discussion it would be "no guaranteed plan can be either workable or sound without stabilized production or, at a minimum, production control." I am also convinced that production can be stabilized to a greater degree even in those companies that think they have accomplished a good deal along these lines. I shall confine my remarks to one phase of employment stabilization, namely production stabilization.

A LONG HISTORY OF STABILIZATION

Since 1904, the Eastman Kodak Company has been endeavoring to provide more security to workers by

¹A digest of an address delivered before the 280th Meeting of THE CONFERENCE BOARD, held at the Waldorf-Astoria Hotel, New York, September 26, 1946.

stabilizing production. At that time, one of the principal products of the Kodak Park plant was roll film, for which there was a heavy demand in summer but very little in winter. To handle the peak load, extra employees had been hired in the summer and discharged in the fall when the demand fell off. While management was deeply concerned about this employment irregularity, there apparently was no solution because the emulsion used on the film would not keep well for more than three or four months. In 1904, a more stable emulsion was developed, and the policy of manufacturing and accumulating inventory in dull months was begun. This has continued to be the principal method of our employment stabilization program.

Production stabilization involves three major steps: (1) sales forecast with its measurement of seasonal tendencies; (2) determination of production levels; and (3) control of stock levels.

A reasonably accurate sales forecast is an essential step in any program of production control. It is also

Chart 1: Sales of Product "B"

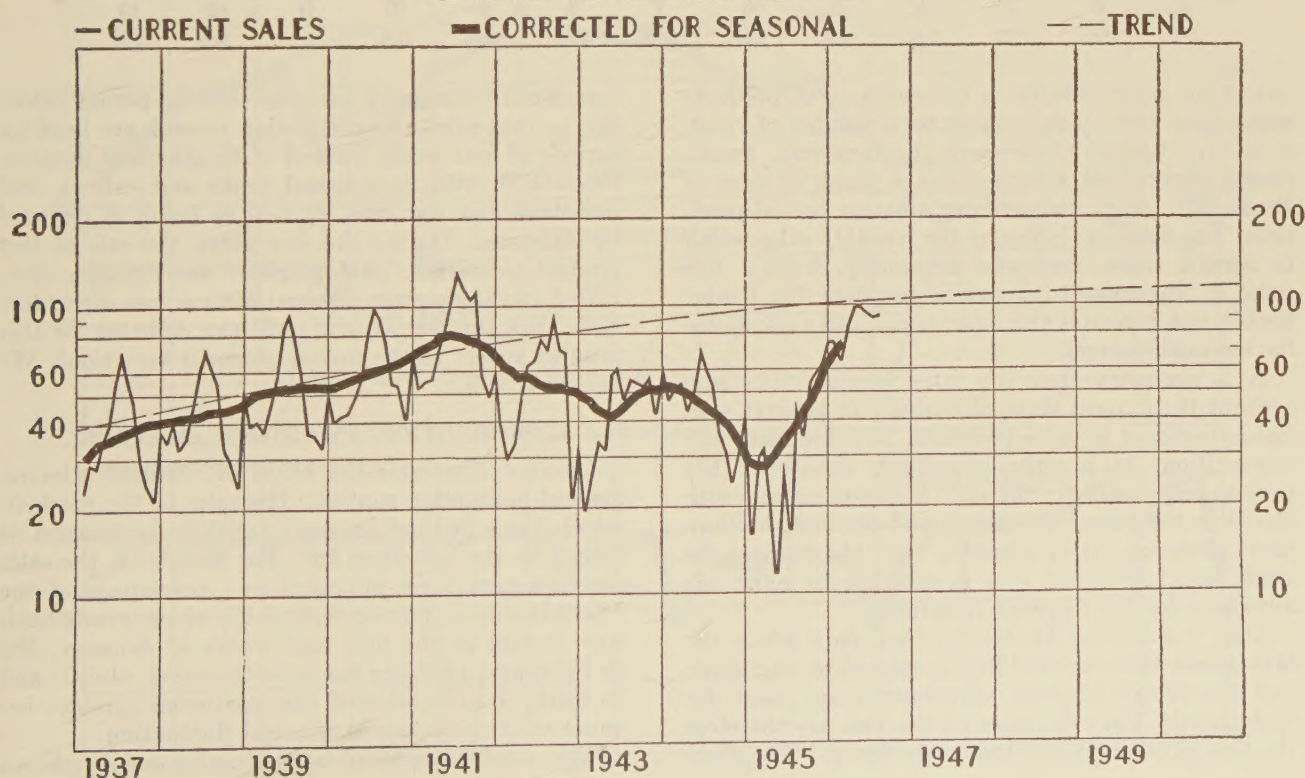
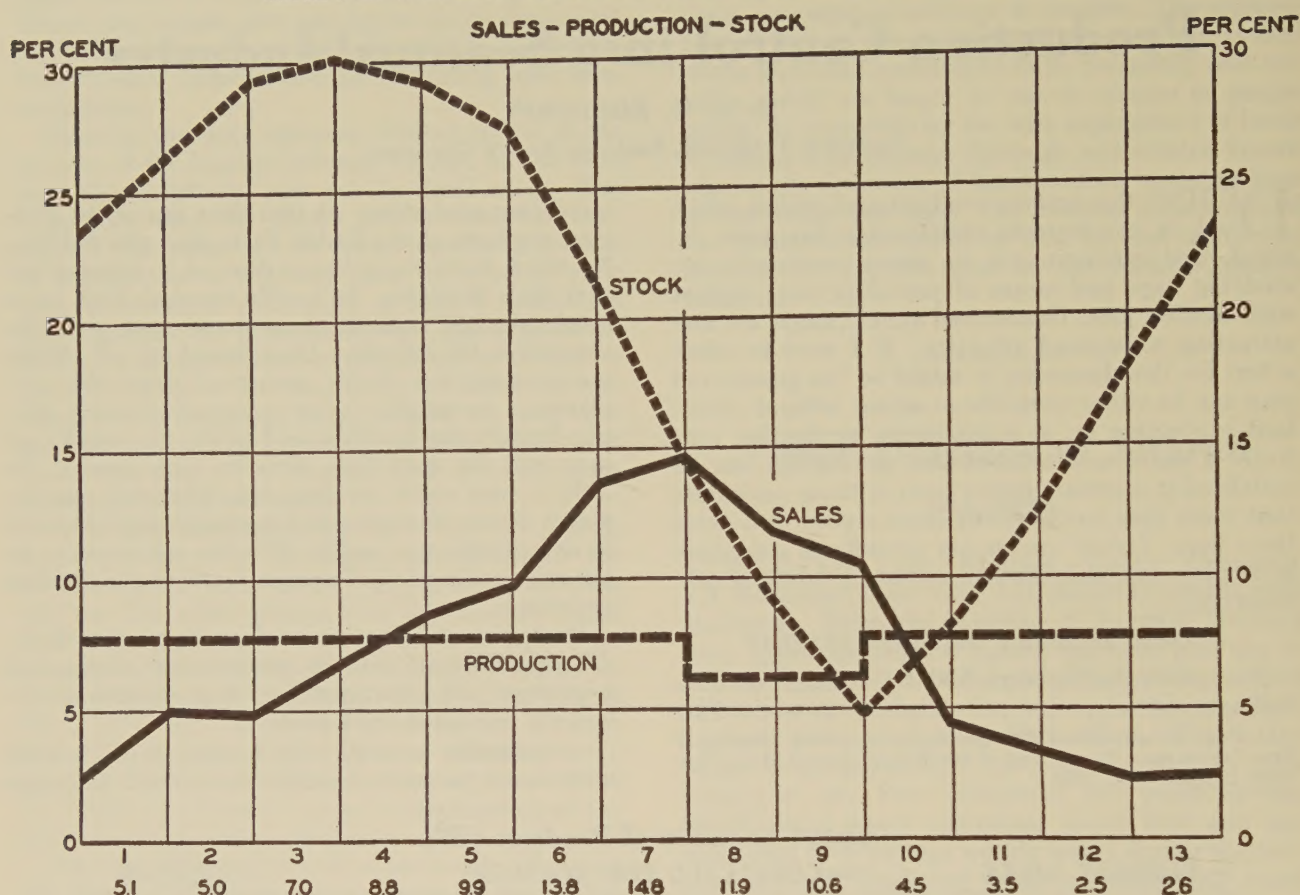


Chart 2: Normal Seasonal Variation of Product "B"



one of the most difficult to determine. For products which have been on the market for a number of years, it is very helpful to measure the long-term trends graphically. Chart 1 shows such a graph of sales of Product B, which is one of our amateur line of products. The light line indicates the monthly sales which in normal times, fluctuate, seasonally, from a low point in November to a peak in summer. The lighter broken line indicates the basic trend, after allowance for seasonal changes.

It is necessary that the sales forecast take into account the current state of business in general, special advertising or sales programs, new products and competition. It is quite important, therefore, that persons responsible for the sales forecasts consult with others in the sales, advertising and product development divisions. It is desirable that the forecast be made for at least one year in advance to make due allowance for the seasonal variation.

After considering all factors that may affect the sales trend, the projected line is entered on the chart, and the proper seasonal adjustments are made for each month. The total sales for the year are therefore the sum of these adjusted monthly figures. The East-

man Kodak Company uses the thirteen-period calendar, so that sales and production records are kept by periods of four weeks instead of by standard months. Product B, with its seasonal peaks and valleys, had industrial and war uses, as well as being in demand by amateurs. During the war years, the sale of this product to amateur photographers was virtually eliminated and the prewar seasonal pattern was disrupted. Now that the war is over, will the demand for this product revert to the former seasonal variation? We believe it will.

PRODUCTION AND STOCK CONTROL

Chart 2 illustrates the effect of seasonal sales on general production control. The sales of the product, which has a distinct seasonal variation in demand, is shown by the unbroken line. For simplicity, the sales for each period are indicated as a percentage of the year's business. For example, 5.1% of the year's business is sold in the first four weeks of January; 5% in February; 14.8% in the seventh period (July); and so forth. I have selected this particular product because of its pronounced seasonal fluctuation.

The establishment of a production curve, shown

on this chart, determines the employment level and plant requirements for the year. Production is scheduled on a uniform level throughout the year, with the exception of the two summer months, when most employees take their vacations.

With production on an even keel, sales are below production levels during slack periods, and stocks are accumulating. The maximum inventory is reached in March, when it represents nearly 30% of the year's sales. The stock on hand decreases as the sales exceed the production level.

STOCK LIMITS

In addition to normal seasonal fluctuations, there are apt to be wide and unpredictable variations in sales from week to week. True stabilization must, therefore, provide some means of producing steadily in spite of both weekly and seasonal variations. The stock must absorb the shocks, for an important function of a stock of goods is to serve as a cushion to meet variations in requirements. This function of stock is often overlooked. The reason for introducing minimum and maximum stock levels is to absorb the ordinary weekly and period sales fluctuations.

Chart 3 illustrates the manner in which these con-

trols work. The product used in this case has a fairly flat seasonal variation. This chart graphically presents actual production, the estimate of sales and minimum and maximum stock limits. It also shows the actual shipments, and the actual sales by periods. At the beginning of the year, the actual sales were below the estimates, which are indicated by the short horizontal lines. As a result, actual stock accumulated was higher than normally might be expected. Ordinarily we might revise our production schedule slightly in these circumstances, but action was delayed to determine whether a definite change in the sales trend had occurred. During the next period, sales were above the estimate. In the third period, because of a tax situation in one part of the country, a large volume of sales occurred, and consequently the inventory of the product dropped sharply. We were unaware of the cause of this rise in sales but instead of immediately stepping up the schedule, it was again decided to await further developments. The next month sales dropped below the estimate.

As the year progressed, sales were above the estimates, and the stock on hand was gradually depleted until it fell below what was considered a safe minimum stock. It was then decided to step up produc-

Chart 3: Production, Sales and Stock of Product "E"

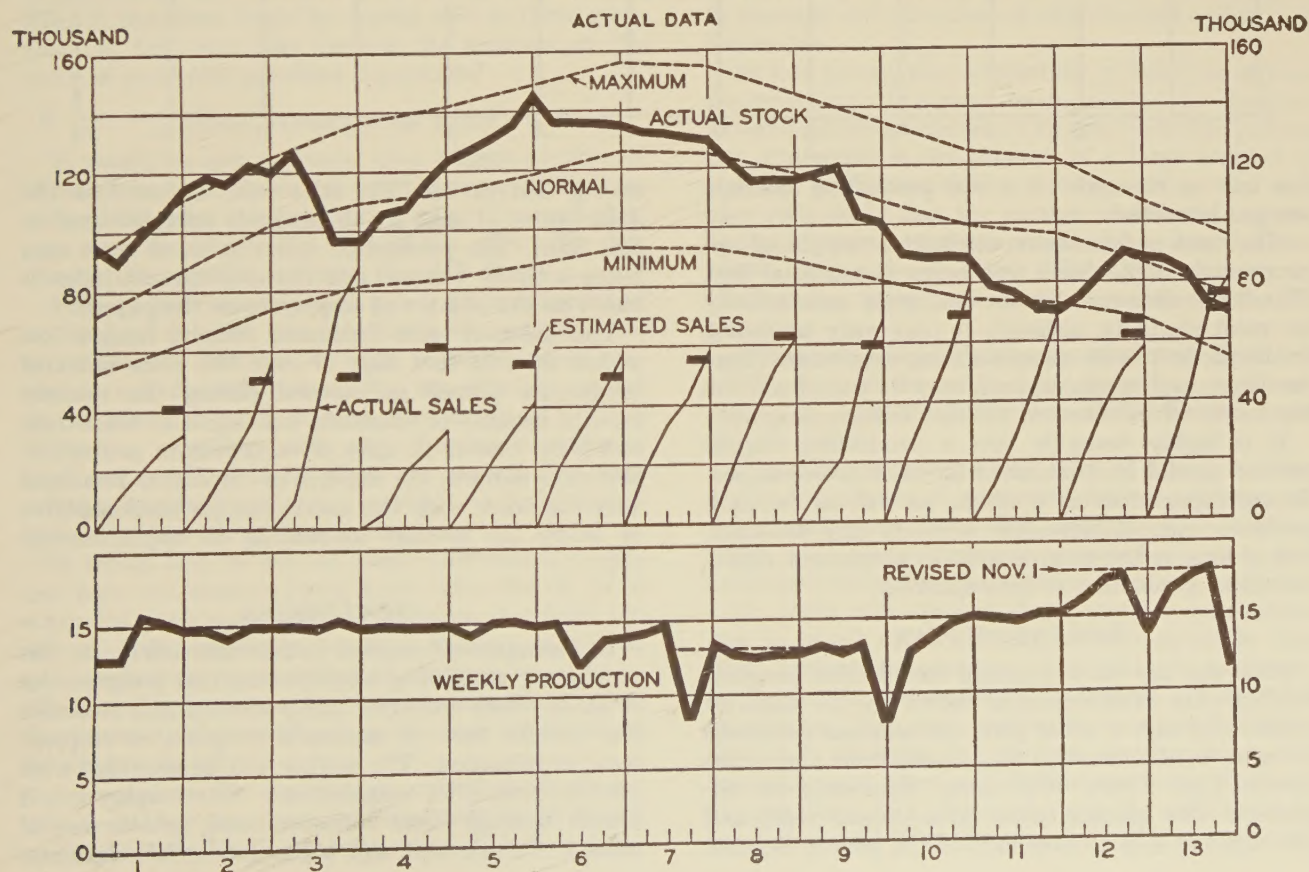
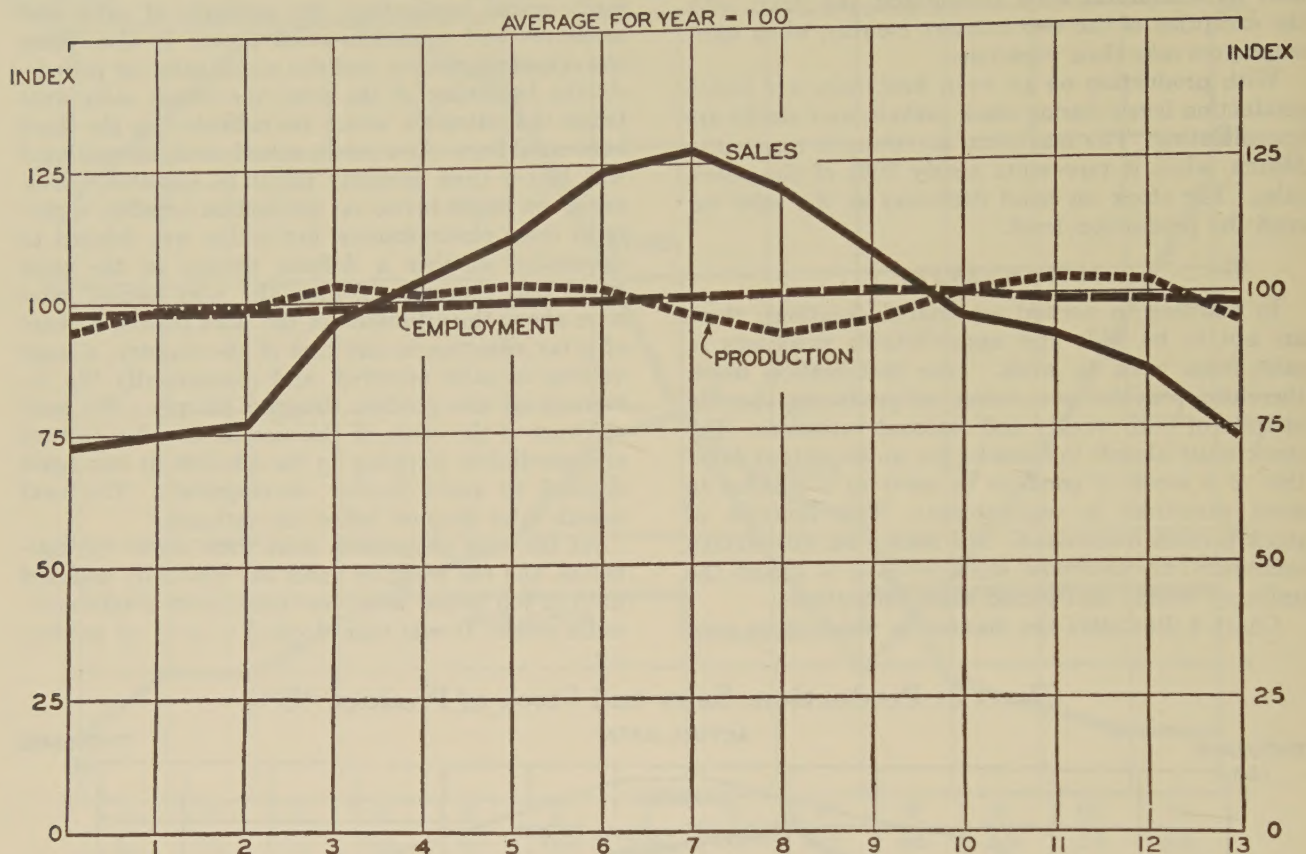


Chart 4: Seasonal Indexes of Sales, Production and Employment of Kodak Park

Actual Data Based on three years: 1934, 1935 and 1936



tion and on November 1 a new production schedule was put into effect.

Maximum and minimum stock lines are placed approximately 25% above and below the normal line. This 25% allowance works out quite satisfactorily for most products, although it may vary according to the product or its manufacturing conditions. These maximum and minimum lines may be considered the key to the effectiveness of the stabilization program.

It is highly desirable that a production control method should be established for each principal producing department as a whole, as well as for each product. Sales of individual products may fluctuate, but so long as the total is kept at a constant figure, stabilized production is accomplished.

RESULTS OF PLAN

How well has the production stabilization program worked? Its effectiveness is shown by the data included on Chart 4, which gives the seasonal variations in sales, production and employment for the entire Kodak Park Plant, with many thousands of employees. The indexes cover three prewar years and are adjusted only to take care of the growth element

during that period. The sales index is based on the dollar value of sales for all products manufactured at this plant. The production index is based upon man hours actually worked, and the employment index is based on the number of employees on the payroll.

The index of sales fluctuated widely, from a low of less than 75 to a high of over 125. The index of production dipped as planned during the summer months because of vacations and again at Christmas and New Year's. In spite of variations in production and sales indexes, the number of employees remained very constant, with the maximum fluctuation above or below the average amounting to approximately 1%.

CONCLUSIONS

If management applies brains and effort to this problem of stabilizing employment, real progress can be made. Both employer and workers stand to derive real benefits from a successful program of employment stabilization. The worker will be provided with greater security of employment. The employer will benefit through lower turnover costs, greater use of plant and equipment and better industrial relations.

Nonfinancial Incentives

By S. AVERY RAUBE

An address delivered before the Jersey City Industrial Conference

THERE is, I believe, considerable risk to the audience that invites a speaker to discuss nonfinancial incentives. The danger lies in the temptation to the speaker to go off on a mental spree—or to give the impression, at least, of having both feet planted firmly in mid-air. The danger, however, is not a fault of the subject. On the contrary, a large number of highly qualified observers believe that the effective understanding and application of nonfinancial incentives are the foundation of successful industrial relations. Some of these observers believe that widespread application of these incentives will determine the continuation or elimination of free corporate ownership and operation of American business.

Because of the great importance of the subject, I am eager to avoid viewing from the ivory-towered pinnacles the down-to-earth, practical problems which constantly confront supervisors and foremen, presidents, production managers and other executives. May I, therefore, begin by posing two or three questions so that you may furnish the answers on the basis of your own practical experience?

THAT SOMETHING PLUS

It would be safe to wager that a large number of those of you in this room at one time or another have refused the offer of a job paying more in money than you were making at the time of the offer. My first question is why did you turn that job down?

Perhaps your reasons were purely personal and had nothing to do with the job. Or perhaps they were related to the presence of what some personnel specialists call financial incentives not directly related to the pay envelope—such as pension plans, sickness insurance, vacations with pay, dismissal compensation and profit sharing. But the reasons for some refusals unquestionably had nothing to do with dollars and cents—directly or indirectly.

It would also be safe to wager that nearly everyone here has observed employees who slowed down when the boss was absent. You may also have observed other employees, not on a financial incentive, who worked at top speed when the boss was absent. My second question again is why? What kept those employees hard at work when the boss wasn't there to observe them?

In regard to the question of a "full day's work," why is it that one group of employees is obviously and constantly longing for the quitting bell and an-

other group, with no greater financial attraction, has to be reminded to stop working?

What is it that in many situations actually repels rather than attracts the workman?

A recent survey by *Mill & Factory* reveals that 73% of the executives covered in the survey declare that "a general indifference on the part of the workers" is the cause contributing most to the current decline in labor productivity. Yet this general indifference of the workers exists in the face of high wages—in many cases, the highest wage rates in the history of that country whose wage rates and standard of living are the envy of workers throughout the world!

LEADERSHIP

What is this thing that motivates individuals under these circumstances? The answer embraces the essence of employee-employer relations. It is contained in the sum and substance of effective and enlightened leadership.

At first glance, that conception or definition of nonfinancial incentives may be considered too broad—too all-inclusive, because, as may be correctly pointed out, leadership is the product of a large number of personal qualities, abilities and experiences. But it is also quite likely that the number of different answers to the foregoing questions would also be large. There might, in fact, be as many different answers—or incentives—as there are individuals responding to the questions.

If that is the case—if there are numerous stimulants which, in addition to financial incentives, motivate people to greater effort—then the definition must also be broad.

Since time prevents a discussion of a large number of the techniques of successful leaders—suppose we devote attention to a few nonfinancial incentives which widespread experience reveals have quite general applicability and importance.

To begin with, present-day personnel administration is based upon the fundamental principle that every individual is unique. Many of our employee-employer relations problems stem from a lack of full recognition that each employee is an individual—that each employee has his own peculiar hopes and fears, his own likes and dislikes, his own problems, his own joys. *But, above all, he is the only one who has full control over the rheostat of his own energy!*

Experience has revealed that only under strong, enlightened leadership in which the employee is treated with understanding as an individual, will he willingly turn the knob of that rheostat to the indicator marked *full volume*. How may that be achieved?

For one thing, there is a basic desire among human beings for approval—for proper and justifiable credit. Since we know this to be fact, how many of us who keep records of an employee's errors or deficiencies also keep records of his accomplishments? If we keep such records either in our head or on paper, do we make it a practice to talk about them to him regularly so that he is assured that his efforts are recognized?

In this connection, it may be well to pause for a moment and consider another angle of the same problem. Half a century ago, most establishments were small. The employer knew most of his employees personally—knew their circumstances and their problems. In his relations with the employer, the worker felt that he was dealing with one who not only knew him but was also interested in him. Today, these establishments have grown into large corporations. Gone is the direct contact with the top man. Gone is the feeling that the big boss knows all about the worker's circumstances. Instead, the worker must deal with the boss's representatives. But if these representatives make it a point to sit down periodically and regularly and talk with the worker about himself and his job, is it not possible that much of the feeling of the so-called "good old days" can be revived? There is ample proof that workers yearn for it. And supervisors and foremen who have tried it find that it is a stimulating and invigorating experience to them, and, above all, that it develops a mutual understanding without which harmonious labor relations cannot be achieved.

Over a period of time, these supervisors have discovered that their employees are hungry for forthright answers to the question "How'm I doin'?"—hungry for commendation where it is deserved, and, yes, hungry for proper criticism because only through criticism and praise can they improve in their performance. Many supervisors have learned in these contacts that the worker is stimulated by a congenial working group and depressed by an uncongenial one. Some have also found that the worker is keenly affected by what his fellow workers, his family and his neighbors think about him and his job. They have observed that his position and status are a matter of great pride or embarrassment to him and to his wife and family.

Shifting to another point, it is likely that those of us in this room who are most satisfied with our jobs are those whose companies have furnished us with three things:

1. We know specifically what the company is striving to accomplish—what its goals are;

2. We know specifically what is required of us, and what part we have in achieving those goals;

3. We know what progress is being made, not only by ourselves, but also by the company toward the established objectives.

You people appreciate, as well as anyone, the importance of these three points. But why are they important to you? One reason is that they generate interest in the job and increased effort rarely occurs without job interest. To what extent, for example, would we be able to maintain our interest if we did not have the information contained in our records of production, records of quality, of cost, sales, turnover, as well as information about the goals in each case toward which we are striving? In a broader sense, we also find it reassuring, if not actually valuable, to know how successful the company as a whole is, what other supervisors are accomplishing in comparison with ourselves, and what the company's future plans are. All these pieces of information fire our interest, spur us on, and, at the same time, open the door to the exercise of a trait that is characteristic of Americans—the desire to excel.

THE COMPETITIVE SPIRIT

The man in the ranks is also an American. He wants to be a little better than the next fellow. He wants his group to be a little better than the other groups around him. But if his interest is not aroused as ours is ignited and maintained by the information which constantly flows to us, eagerness to exert himself may never develop.

Similarly, his inherent desire to excel rarely emerges without stimulation and encouragement. There is, by way of example, the old and frequently repeated story of Charles Schwab who, during a tour of one of his mills, inquired of the foreman how many units that foreman's shift had completed that day. "Seven," proudly replied the foreman, whereupon Mr. Schwab took a piece of chalk and wrote a large "7" on the floor. When the members of the next shift appeared, they noticed the figure and asked what it meant. The answer served its purpose. They tried to better it and did. They took great pleasure in crossing out the 7 at the end of the shift and scrawling alongside it a large 9. The third shift similarly improved the record and before long a new level of production was achieved which permitted higher wage rates. But the extra effort that had been expended was not motivated by attention to the pay envelope!

I mention that story primarily as a possible means of opening what may be new areas of thought and experiment to those who may not have tapped this ready source of energy. I also use it as an example of the fact that very informal as well as formal competitive plans may be effective.

In addition to arousing interest and stimulating increased effort, the points that I have mentioned

also produce an equally important by-product, which, from my observation, only the most discerning executives have identified. Yet I know of at least two nationally known corporations (which, incidentally, are not plagued with strikes or labor unrest) in which this by-product may be said to be the nucleus of the entire personnel program. In short, those personnel programs revolve around the inherent eagerness of the individual to enjoy the satisfying feeling of being useful.

If, at first, that sounds too academic or too ethereal for practical application, I urge you to ponder over it at length. And in trying to evaluate its importance, it may help to recall that to most of us the fearful part of becoming incapacitated either by accident or old age is the dread of losing our usefulness. Isn't it quite natural then, that the employee who feels that he is not particularly useful to his company or that he is not an important part of the organization may, in his inevitable search for a substitute, be attracted by a panacea which appears to offer the thing he wants but which is actually based upon fancy rather than substance?

Following the same line of thought, how frequently have we suddenly announced to those under our supervision a change in method or procedure and later become irked or impatient because those whose jobs were affected lacked enthusiasm or perhaps even displayed resentment? How frequently have we discovered, later on, that the decision wasn't nearly so good as we originally thought because it was arrived at by someone not so familiar with the job as the man in the ranks? Here again, many successful organizations have learned the value not only of sharing this type of information with the employee before the final decision is made but also of seeking his help, as well as his opinion, in reaching the decision.

FEAR

Suppose we consider another point. During the last fifty years, the increasing use of special-purpose machines has taken from the average worker his versatility as a craftsman and narrowed his specialized skill. That's all right with the worker as long as his specialized skill is in demand. But when that demand disappears either through a recession of business, technological change or any other reason, he may revert to the status of a common laborer. Unlike his father or grandfather before him, therefore, the worker of today is dependent on the particular job that he holds. Recognizing that it may not be easy to find similar work elsewhere, and, in many cases, feeling that he is merely a number on a timecard, he is constantly oppressed by the fear that he will lose his place as a self-supporting individual unless the record—not the words—the *record* of the company displaces that fear with assurance. Here again, economic distress is rarely the employee's sole dread. On

the contrary, the stigma and indignity of unemployment and the reluctance to be separated from a familiar and congenial working group are always present. He may also be afraid that he is not good enough for his job, that he will not be promoted to a position of greater responsibility or that he is not the equal of his fellow workers. When any of these fears exist, what is the result?

When the housepainter's twenty-foot ladder suddenly begins to slide out from under him, the fear of falling immediately absorbs all his attention. Any eagerness or enthusiasm he may have had a split second before in regard to his skill as a painter disappears in a flash along with his self-confidence. His fear will undoubtedly drive him to physical effort of almost herculean proportions to save himself from injury but the efficiency of his movements will likely be seriously curbed by the overwhelming force of his emotions.

That example may appear to some to be unnecessarily dramatic. Perhaps it is. But, if it serves to impress the fact that fear is a repressive and inhibiting as well as a driving force, there is less chance of our confusing it with real incentives in which efficiency is the partner of accomplishment. Unfortunately, that confusion does exist, and I have observed some top executives and many subordinate executives who still practice the cultivation of fear among their subordinates.

SUGGESTS A NEW TERM

These points that I have mentioned are only a few of the large number of incentives that may be classified as nonfinancial. If an attempt were made to improve on the term *nonfinancial incentive*, I should be inclined to substitute the words *plus-money incentive*. The reason for this is a psychological one. I have frequently wondered whether the term *nonfinancial incentive* may not convey to some the impression that, lurking somewhere behind the scenes, is a subtle, diabolic aim to get something for nothing, or even to chisel at the expense of the employee. Nothing, of course, could be further from fact. To me, therefore, the term *plus-money incentive* incorporates not only a clearer definition of the true purpose, but also a warning to any unenlightened individual who might be tempted to reach for something that does not exist.

There is one final word of caution that I'd like to emphasize—particularly in the light of a few recent developments.

Nonfinancial incentives cannot be written, talked or "sold" into existence. Even a super-duper publicity and sales campaign cannot do that—no matter how super or how duper. There is only one way that I know of. *These incentives have to be put into practice.* Where that is done, no great sales campaign is required.

Concerning the Labor Press

THE labor press has been taking a firm stand on domestic and foreign affairs. "Inflation—rising living costs of the worker, with higher profits to the employers," it believes, is the chief item of dissatisfaction and the blame is laid to lack of control by the Administration. President Green claims that production is the answer to inflation. The chief CIO leaders disagree with this theory, however, and seem to believe that more government control is necessary, especially in the regulation of profits. Both the AFL and CIO, however, are beginning an extensive campaign for wage increases.

The CIO labor press and certain AFL papers attack given industries and the Administration. Condemning the failure of the Administration to regulate housing, the black market, and rising living costs, the AFL press is pointing out that it is the average citizen who is responsible for the kind of government that came into power, and at the same time is exposing the "anti-labor" records of Congressmen. *The International Teamster*, for example, shows through graphic illustration that "heels" become Congressmen and Senators because "enough people don't bother to vote against them." *The Railroad Trainman* devoted part of its October issue to the 1946 election—stating that the "79th Congress failed the people."

Following the November elections, nearly every CIO paper has continued to devote space to the activities of the PAC and to inform the reader of voting records of Congressmen and what can be expected in the future. Votes of Congressmen on the OPA, the Case bill, the Crosser bill, the Hobbs bill, the FEPC and similar pertinent measures are used as a guide in displaying the "black record" of Congress in chart form.

There is considerable sentiment in the AFL press to the effect that the dangers of communism are increasingly pressing. Attacks are often made on the CIO in this respect, and it is not unusual to find headlines such as the following which appeared in the *Auto Worker* (AFL): "I am a Communist," CIO Business Agent Boasts." The CIO press frequently retaliates.

Foreign policy, with the possible exception of the United States attitude toward Russia, receives considerably more attention in CIO than in other labor papers. The CIO press often urges support for oppressed labor groups in other countries, and many papers express strong opinions on United States policy in China and Spain. "We Should Get Out of China" is the cry of *The Dispatcher*.

The CIO press has no united stand on the communist question; each individual union publication reflects the thinking of that sector of the CIO. Some, such as the *The Steelworker*, have come out against communism while others, such as *The Dispatcher*, have stood up for the rights of left-wing political thinking in unionism and have quoted excerpts from the *Daily Worker*.

Gains from new collective-bargaining agreements, from strikes and from organizing drives receive prominent attention in most labor papers. Certain CIO papers, such as *The Retail, Wholesale and Department Store Employee*, *The Advance*, *Office and Professional News*, emphasize the reporting of news concerning special organizational activities. On the whole, the CIO press, more than the AFL, usually stresses the gains made and carries more hardship stories of struggling workers. The AFL papers, when gains are won, see that the news receives considerable attention. They apparently prefer to state that they do not strike so often as the CIO and only as a last resort, and therefore they often tone down strike news.

AGAINST NEW LEGISLATION

The labor press in recent months has been devoting more space to the problems of minorities. A great deal of it may be owing to organizing drives in the South, but there seems to be also a trend in the AFL papers to ask for racial equality and opportunity. The CIO press is united on this question, with every paper asking for FEPC and urging long-range legislative programs on race relations.

Despite the friction and difference of opinion between the CIO and AFL, the labor press presents a united front on most national problems concerning labor and are quick to refute any outside criticism. Unfavorable comments on "Big Business" are relatively abundant, and it is not often that a labor paper does not have a cartoon showing the industrialist eating ravenously, while thin, starving workers watch.

The labor press is also united in believing that any labor legislation passed at this time would be against labor. Several editorials have appeared in CIO, AFL, and independent union papers warning workers of possible attacks on the Wagner Act. Collective bargaining, to be genuine and effective, some of the press agrees, must be free from government restraint.

Most labor papers, regardless of affiliation, give considerable attention to union demands for a broader health and social security program and for inclusion of health insurance, pension funds, annual wages, etc., in collective-bargaining agreements. There seems to be general opinion among labor that these factors will be a hedge against the downturn of business.

ABRAHAM A. DESSER

WILDA P. BENNETT

Management Research Division

Limericks for Safety

SAFETY jingles are popular among employees of the Newport News Shipbuilding and Dry Dock Company, Newport News, Virginia. Approximately 200 entries are submitted to the Safety Limerick Contest Committee each month. Of these about 40% are received from employee families.

The contest rules are simple. Every month an illustrated incomplete limerick appears in the employee publication, *Shipyard Bulletin*, and contestants are asked to supply a missing line rhyming with a specified word in the jingle. The theme of the contest line must deal with safety.

An award of \$25 is given for the best line of the month. No limit is placed upon the number of entries an individual may submit, and, with the exception of persons connected with the safety department

and the *Bulletin*, all employees and their families are invited to participate in the contest.

The interest of the families in the project is particularly gratifying to the company. It encourages the discussion of various plant and safety hazards in the home and thereby develops a greater degree of safety consciousness among all family members.

Since the contest was started in March, 1946, safety suggestions have increased noticeably. Approximately 13% of all suggestions received by the committee are related to safety, while prior to the introduction of jingles only 5% were concerned with the subject.

Each month the winning line is published in the house organ along with the name and photograph of the successful contestant. The accompanying limericks appeared in recent issues of the *Bulletin*.

ETHEL M. SPEARS

Management Research Division

SUPPLY LAST LINE TO LIMERICK BELOW

Beefy Bill is a shipbuilding ace,
For production he sure sets the pace,
But while working he strained,
Then fell back and was brained,



SUPPLY LAST LINE TO LIMERICK BELOW

A jolly mechanic named Jay
Now sadly remembers the day
When his eyes were abused
For his goggles weren't used



SIGNIFICANT LABOR STATISTICS

Source: THE CONFERENCE BOARD, unless otherwise indicated

Source: THE CONFERENCE BOARD, unless otherwise indicated.										
Item	Unit	1946						Year Previous	Percentage Change	
		Nov.	Oct.	Sept.	Aug.	July	June		Latest Month over Previous Month ¹	Latest Month over Year Previous
Clerical salary rates										
Billing machine operator.....	mode in dollars	....	38	....	....	....	....	....	....	....
Calculating machine or compt' ter operator	mode in dollars	....	35	....	....	....	....	....	....	....
Office boy or girl.....	mode in dollars	....	25	....	....	....	....	....	....	....
Stenographer.....	mode in dollars	....	35	....	....	....	....	....	....	....
Telephone switchboard operator.....	mode in dollars	....	46	....	....	....	....	....	....	....
Senior copy typist.....	mode in dollars	....	36	....	....	....	....	....	....	....
Cost of living										
Food.....	1923=100	....	....	131.3	....	....	116.2	112.9	+13.0	+16.3
Housing.....	1923=100	....	....	91.0	....	....	91.0	91.0	0	0
Clothing.....	1923=100	....	....	99.7	....	....	96.4	94.6	+3.4	+5.4
Men's.....	1923=100	....	....	111.4	....	....	106.8	103.9	+4.3	+7.2
Women's.....	1923=100	....	....	88.0	....	....	85.9	85.3	+2.4	+3.2
Fuel and light.....	1923=100	....	....	100.5	....	....	97.3	97.4	+3.3	+3.2
Electricity.....	1923=100	....	....	66.9	....	....	66.9	66.9	0	0
Gas.....	1923=100	....	....	94.5	....	....	94.5	94.5	0	0
Sundries.....	1923=100	....	....	119.9	....	....	117.6	115.3	+2.0	+4.0
All items.....	1923=100	....	....	114.6	....	....	108.2	106.2	+5.9	+7.9
Purchasing value of dollar.....	1923 dollars	....	....	.873	....	....	.924	.942	-5.5	-7.3
All items (BLS).....	1935-39=100	....	148.4	145.9	144.1	141.0	133.3	128.9	+1.7	+15.1
Strikes (BLS)										
Beginning in period.....	number	....	p 450	p 450	500	480	350	474	0	-5.1
Workers involved.....	thousands	....	p 290.0	p 380.0	235.0	185.0	150.0	550.5	-23.7	-47.3
Total man days idle.....	thousands	....	p 4,500	p 5,000	3,425	3,300	3,800	8,611	-10.0	-47.7
Turnover rates in manufactur'g (BLS)										
Separations.....	per 100 employees	....	....	p 6.7	r 6.6	r 5.8	5.7	12.0	+1.5	-44.2
Quits.....	per 100 employees	....	....	p 5.2	5.3	r 4.6	4.0	6.7	-1.9	-22.4
Miscellaneous.....	per 100 employees	....	....	p .2	.2	.2	.2	.2	0	0
Discharges.....	per 100 employees	....	....	p .4	.4	.4	.3	.6	0	-33.3
Layoffs.....	per 100 employees	....	....	p .9	r .7	r .6	1.2	4.5	+28.6	-80.0
Accessions.....	per 100 employees	....	....	p 7.0	r 7.0	r 7.4	6.7	7.4	0	-5.4
Wage Earners										
All manufacturing industries (BLS)										
Earnings, hourly.....	average in dollars	....	....	1.126	1.111	1.093	1.084	.987	+1.3	+14.3
weekly.....	average in dollars	....	....	45.41	r 44.98	r 43.38	43.31	40.87	+1.0	+11.3
Hours per production worker.....	average per week	....	....	40.3	r 40.5	r 39.7	40.0	41.4	-0.3	-2.6
Twenty-five manufacturing industries										
Earnings, hourly.....	average in dollars	....	1.229	r 1.229	1.217	1.194	1.189	1.079	0	+13.9
weekly.....	average in dollars	....	50.06	r 49.14	48.74	47.64	47.20	45.50	+1.9	+10.0
Hours per production worker.....	average per week	....	40.7	40.0	40.1	40.0	39.8	42.3	+1.8	-3.8
Employment.....	1923=100	....	122.4	r 122.7	121.1	119.1	118.2	104.1	-0.2	+17.6
Total man hours.....	1923=100	....	101.2	r 99.8	98.7	96.8	95.6	89.5	+1.4	+13.1
Payrolls.....	1923=100	....	230.2	r 226.6	221.9	213.2	209.7	178.0	+1.6	+29.3
Wage-rate increases.....	average per cent	....	8.0	8.0	9.6	8.5	12.5	7.0	....	....
Production workers affected.....	per cent	....	1.9	1.8	5.5	2.9	3.3	1.5	....	....
Manufacture and distribution of gas										
Earnings, hourly.....	average in dollars	....	....	....	....	....	1.126	1.084	....	+8.9
weekly.....	average in dollars	....	....	....	....	....	47.13	48.08	....	-2.0
Hours per wage earner.....	average per week	....	....	....	....	....	41.3	45.9	....	-10.0
Generation and distribution of electricity										
Earnings, hourly.....	average in dollars	....	....	....	....	....	1.277	1.155	....	+10.6
weekly.....	average in dollars	....	....	....	....	....	54.84	53.32	....	+2.9
Hours per wage earner.....	average per week	....	....	....	....	....	42.4	45.5	....	-6.8
Class I railroads¹										
Earnings, hourly.....	average in dollars	....	....	....	....	1.177	1.174	.983	+0.3	+19.7
weekly.....	average in dollars	....	....	....	....	59.29	58.30	51.68	+1.7	+14.7
"Real" weekly earnings.....	1923=100	....	....	....	....	174.6	181.7	163.0	-3.9	+7.1
Hours per wage earner.....	average per week	....	....	....	....	50.4	49.7	52.6	+1.4	-4.2
Agricultural wage rates per month¹ (BAE)										
With board.....	average in dollars	....	96.40	....	....	96.50	....	88.00	-0.1	+9.5
Without board.....	average in dollars	....	91.40	....	....	92.00	....	84.00	-0.7	+8.8
New York City metro. area, eighteen manufacturing industries	average in dollars	....	104.00	....	....	106.00	....	95.70	-1.9	+8.7
Earnings, hourly.....	average in dollars	....	1.257	1.252	1.247	1.238	1.228	1.108	+0.4	+13.4
weekly.....	average in dollars	....	51.54	51.33	51.13	50.39	50.47	47.31	+0.4	+8.9
Hours per production worker.....	average per week	....	41.0	41.0	41.0	40.7	41.1	42.7	0	-4.0

¹Changes in Cost of Living and Agricultural Wage Rates are quarterly.
²Derived from Interstate Commerce Commission reports.

³As of first day of month.

⁴Preliminary
⁵Revised

Trends in Collective Bargaining

Defines Good Standing

Many collective-bargaining agreements that include union-shop or closed-shop provisions state that only employees in good standing are permitted to work within the established bargaining unit. A union-shop agreement between a California corporation and a local of the International Longshoremen's and Warehousemen's Union (CIO) states that the employer will require employees who come within the scope of the collective-bargaining agreements to file application with the union for membership, to pay their union initiation fees, and "if admitted to membership, to keep in good standing with the union."

As defined in this agreement, good standing means payment of dues, payment of general union assessments, obligation to attend union meetings or to pay customary fines for failure to do so, obligation to participate in union parades or to pay customary fines for failure to do so. However, under the agreement, the historic policy of the employer with regard to the employment, advancement, retention, layoff, and rehiring of employees shall be continued with consideration given to individual merit, physical ability, moral and mental capacity, and seniority.

New employees are to be placed on probation for thirty working days, during which period the employer may release the new employee without giving any reason. The union, however, may object to the retention of any new employee "for cause prior to the said probationary period."

The following rules are included in the seniority determination of the probationary period:

"(1) When forces are reduced on any station, seniority on the station will govern, subject to the following:

(a) Less than three months' service shall not constitute seniority;

(b) Temporary transfer to another station shall not be considered a break in station seniority;

(c) Transfer to another station at employee's request shall not affect his prior station seniority for a trial period of 30 days;

(d) Station seniority shall not be affected by shifts."

Attendance Clause in Contracts

Although the issue of absence and attendance rules and regulations does not seem to loom large at collective-bargaining conferences, controversies sometimes develop through the grievance and arbitration procedure as a result of failure to indicate, in a specific manner, the regulations covering leave-of-absence policies.

There is a noticeable trend toward detailed explanations of absence provisions in union contracts. Attendance regulations have been incorporated, for example, into a midwestern CIO collective-bargaining agreement. According to the agreement, each employee must keep the company informed of his current address at all times. He may report a change of address by signing his new address on his pay receipt. If an employee changes his address while he is absent from work, he is to report the change by mail to the factory personnel department. When unable to report for work he is required to telephone the personnel department of the company. If he does not have access to a telephone, his absence should be reported immediately by mail to the company's personnel department.

If an employee fails to report his absence, he will be dropped from the rolls of the company on or before the beginning of his working shift on the eighth consecutive calendar day of his absence. If this day falls on a Sunday or a holiday, he will be permitted to report no later than the beginning of his work shift on the first work day following the Sunday or holiday. These regulations also apply to (1) the expiration of a leave of absence, (2) approval for resumption of work after a period of absence owing to illness or injury, (3) elimination of any period of authorized absence in a specified trade.

Organization Drives in 1946

Although union leaders expected a drop in membership and a man-power shortage in the spring of 1946, the decrease did not materialize, except in some mass production industries that reduced employment after the war. On the contrary, unions retained considerable membership strength, enhanced their financial position, and, at the same time, were successful in preventing New Deal labor laws from being repealed. The beginning of 1946 brought emphasis to unionize unorganized workers. The AFL and the CIO intensified drives in the southern part of the United States. Although the southern drives and the drives to organize clerical and professional workers did not produce expected gains, headway was made and reports from all branches of the American labor movement indicate intensification of the campaigns in 1947.

Organizational activity by foremen's unions, while obviously noticeable, has not produced any significant increase in membership. The unions themselves

seem to be waiting for the United States Supreme Court decision in the Packard Motor Company case to determine whether foremen come under the provisions of the National Labor Relations Act.

Toward the end of 1946 increased demands were being made for cost-of-living clauses in union contracts, although many executives object to this type of clause because they feel that unions will not agree to wage reductions when living costs go down.

There are also some labor union leaders who do not believe in pegging wage increases to the cost of living. These men maintain that wage increases should be based on the continuous demand of workers for a higher standard of living resulting primarily from increased production. Despite the continuous haranguing over wages, fear is growing within organized labor that a depression is not too distant. Leaders of all branches of American labor seem to lack confidence in the country's wage structure. This fear seems pronounced as 1947 approaches and is expected to lead to more direct aggressive action by unions.

CIO Convention Highlights

"Wages must be increased" was the theme of the eighth annual convention of the Congress of Industrial Organizations held in Atlantic City in November. Reports given by the various factions within the CIO indicated unanimity on the question of "increased wages to meet increased living costs." The approach to higher wages, however, ranges from those who believe in an aggressive strike policy to others who, like Philip Murray, advocate a round-table approach toward the settlement of labor questions.

Although the left and right forces within the CIO are as far from agreement as before the convention, Philip Murray, CIO president, succeeded in preventing the issue of communism from being discussed on the floor of the convention. It would seem that Mr. Murray followed a compromise pattern with the pro-Communist group in the belief that an open fight on the floor of the convention would have weakened the CIO's southern organization drive and its crusade to prevent the enactment of anti-New Deal labor legislation.

Some right-wing leaders admit that a protracted fight would be detrimental. The bitterness between the two forces within the organization is, however, likely to be a controversial issue at future conventions of international unions within the CIO.

The resolution adopted by the CIO convention, which was intended to appease the anti-Communist block, reads in part:

"In pursuit of the principles set forth herein and adopted by the CIO Executive Board, we, the delegates to the Eighth Constitutional Convention of the Congress of Industrial Organizations, resent and reject efforts of

the Communist Party or other political parties and their adherents to interfere in the affairs of the CIO. This convention serves notice that we will not tolerate such interference."

Under this resolution the CIO national office plans to keep "communist and other political convictions" out of CIO union decisions.

In resolutions covering the international labor situation, the convention followed the program of the World Federation of Trade Unions, which is controlled by left-wing unions. This active support of the WFTU adds to the frustration of certain right-wing forces within the CIO in their efforts to "liquidate" the influence of the pro-Communist elements.

Labor Legislation in 1946

The Smith-Connally act, in "wartime antistrike legislation," did not, according to many labor and industry men, result in thwarting strikes. Actually, this legislation gave the unions a legal right to strike after filing a petition of thirty days' notice of strike, and tended to nullify the "no-strike pledge" of CIO and AFL leaders during World War II. Legislation introduced in 1946 included the Case and the Ball-Burton-Hatch bills. Proponents of new labor legislation hoped to balance New Deal legislation which they felt was weighted on the side of organized labor. As to the Wagner act, one group would like to see it repealed, while another group believes that the act needs amending to give employers the right to petition for an election and express themselves fully in regard to unionization of his employees. Union leaders who argue in favor of a retention of the act in its present form say that although there were some evils in the past, they were the result of poor administration rather than faults in the act itself.

There does not seem to be any unanimity of opinion on labor legislation in the ranks of the Republican party, which has a majority in the House and Senate. When the Case bill was introduced, there was a division by legislators of both parties and this division will, according to some observers, continue into the next session of Congress.

Senator Wayne Morse of Oregon, following the Republican party's victories in the nation's polls on November 5, said that this victory should be "welcomed and not feared by organized labor" because of the New Deal substitution of "political bargaining for free collective bargaining" by the Democratic party administration. Senator Morse states that he recognized that hundreds of thousands of union workers and their families voted the Republican ticket and that the Republican party must hold steadfast to the liberal political philosophy of Lincoln by "working at all times for a sound program of progressive, social legislation which ever advances the stand-

ard of living and economic security of all of our people."

Robert J. Watt, International representative of the American Federation of Labor, states "what labor faces during the next two years depends to a great extent on whether both parties are able to subordinate partisan politics to the welfare of the nation." Mr. Watt points out further that if "antilabor legislation" is adopted it would be a step toward increasing government controls instead of eliminating them. Although the CIO and the AFL are both arguing for greater union-management teamwork in determining wages and working conditions, the AFL puts less emphasis on government intervention. CIO adherents of greater government participation point to the tremendous strides that organized labor has made during the New Deal decade. AFL leaders point out that government interference is the antithesis of free collective bargaining, which assumes bipartite rather than tripartite participation, and the third party comes in only when both parties voluntarily agree to submit unsettled issues to arbitration.

All branches of the labor movement are in favor of legislation which would bring greater social security advantages such as unemployment insurance, old-age pensions, hospitalization for the poor and so forth. Many within the ranks of labor recall nostalgically the philosophy of Samuel Gompers saying: "What the government gives the people, the government can take away from the people." But, according to the record of the last decade, many have quoted the saying without fitting word to deed.

Lewis and the Miners

A demand for the reduction of the 54-hour work week and amelioration of other working conditions were reported to be the issues resulting in the termination of the United Mine Workers bituminous coal contract.

Some observers of the controversy state that J. A. Krug, Secretary of the Interior, and John L. Lewis should have met to discuss the issues without resorting to bellicose patterns of behavior with the American public caught in the middle. One of the issues now before the Supreme Court is whether the United States Government is included in the ban of the Norris-La Guardia Act on the issue of injunctions against labor unions.

Another point to be decided is whether the Federal District Court had the legal power to issue a restraining order to the United Mine Workers and impose fines of \$3,500,000 and \$10,000.

Despite their obvious differences of opinion on other issues, both the CIO and the AFL joined in support of Mr. Lewis' position until the miners returned to work. The extreme left wing of the American trade union movement, which follows the Communist party

line, stated editorially, following the resumption of work, that Mr. Lewis had "sold his workers out again." Mr. Lewis seems to have been supported by the majority of his members, who are undoubtedly willing to follow him even to the extent of considerable financial loss and personal hardships for themselves and their families. This is attributed by some observers to the fact that from 1919 to 1946 Mr. Lewis, through an aggressive display of economic strength, had taken the miners from one of the lowest to one of the highest wage groups in our economy today. Many mine workers are apparently not interested so much in the personality of their leader as they are in what he has obtained for them over a period of years.

ABRAHAM A. DESSER
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Management Book Shelf

Job Placement of the Physically Handicapped. By Clark D. Bridges. New York: McGraw-Hill Book Company, Inc., 329 pages. \$3.50.

The author discusses in detail such factors as the matching of physical capacities to job requirements and the value of job appraisals. One part is devoted to information concerning specific disabilities. The appendixes, include a directory of the principal voluntary organizations which are interested in rehabilitation, a list of services which are available for evaluation of industrial health hazards, and an extensive bibliography. E. M. S.

How To Use Handicapped Workers. By Arthur T. Jacobs. Deep River, Conn.: National Foremen's Institute, Inc., 186 pages. \$3.50.

This book is devoted to discussion of the various techniques related to selective placement. Included also are some definitions of physical demands and activities, several examples of physical demands and appraisal forms, and an analysis of handicaps and their relation to various working conditions and physical activities. E. M. S.

Who's Who in Labor. Edited by Marion Dickerman and Ruth Taylor. New York: The Dryden Press. 1946. \$12

Biographies of men and women who lead labor and who deal with labor are included in this book. Dr. John R. Steelman has edited a section devoted to labor terminology. There is a directory of the labor press and a list of international unions, along with the constitutions of the American Federation of Labor and the Congress of Industrial Organizations.

A. A. D.

Cost of Living and Wages

FIVE OUT of every six executives participating in this month's survey of business practices¹ are opposed to tying wages to a cost-of-living or consumers' price index. Virtually all the small remainder favoring such clauses do so with the reservation that they must work in both directions—up and down. The opposition to the clauses, except in a few instances, does not arise from unsatisfactory experiences in actual use but for the most part is based on a strong conviction that these clauses do not constitute a proper way to adjust wages or on scepticism as to their effectiveness and practicability. Only about half the number of executives favoring this method are currently adjusting wages in accordance with changes in living costs. Comments on the experiences of this small group have been mixed.

EXPERIENCE WITH CLAUSES

A number of strong supporters of the wage escalator clause are found among the small group of companies which have had actual experience with it. On the other hand, a few executives report they have not found it a satisfactory means of adjusting wages. In addition, some comments are available from companies which no longer include such a clause in their contracts; discontinuation did not in all instances result from unsatisfactory experiences.

In the main, two approaches have been followed in adjusting wages for changes in the cost of living. One has been to escalate base wage rates; the other consists of establishing a cost-of-living bonus without changing base rates. Comments on both methods were obtained.

The experiences of nearly all the companies with cost-of-living adjustment plans are reprinted below. One of the companies which adjusts wages in relation to changes in cost of living is not unionized.

"We are heartily in favor of relating wages to the cost of living and have had such a principle in effect since January, 1942. Since that time we have made no general change in base rates but have added an increment on a percentage basis based upon the cost-of-living statistics issued by the National Industrial Conference Board. This increment is changed quarterly, effective with the first day of the month following the publication of your figures. Our cost-of-living adjustment is planned

¹See *The Business Record* for December, 1946, for comments on new wage demands. The survey also gives the comments of executives with respect to the understanding or acceptance by union leaders of industry's contention that widespread wage increases cannot be absorbed without price increases. It also gives industry's experiences in conducting educational programs for labor.

to work on the down as well as the up side. We have been told by some of our friends that our plan is not practical because it will never work on the down side. Our answer to this criticism is that at least we will be no worse off with our plan than those organizations will be who are faced with the necessity of negotiating base rates downward, and the chances are that we will be in a somewhat better position than the latter.

"About two years ago we revised our rates in accordance with a job-evaluation survey conducted in cooperation with the technical representatives from the international union headquarters. The plan used was that developed by the international union for use in many paper manufacturing plants. While there were many changes in rates, the average remained practically constant and the cost to the company was therefore nil. We feel that job evaluation is a necessary prelude to the application of such other plans as cost-of-living adjustments, incentives, etc., in order to iron out the inequities which are often present in the usual rate schedules which have been built up as a result of negotiation.

"At the present time we are working on a plan for adding a new increment based upon over-all productivity. This plan recognizes that both management and labor contribute to the results; management by improvement in machines and processes and labor by increased effort." (*Miscellaneous manufactures*)

* * *

"We have an arrangement with our employees whereby wages are increased or decreased, depending upon cost-of-living figures in Philadelphia as obtained from the National Industrial Conference Board. This arrangement has been in effect for some eight or ten years and we feel that it is a very satisfactory one, both from our and the employees' standpoint." (*Woolens and worsteds*)

* * *

"Nearly all our contracts carry readjustments based on the higher cost of living. Most of these clauses are carried over from the period prior to the war. Their inclusion in the contract certainly did not visualize that the cost of living would be increasing chiefly because of unwarranted demands by the unions, but visualized the fact that increases in the cost of living were largely the result of increases in commodity prices owing to speculation or inflation.

"The current period is the first time that we have been faced with making cost-of-living increases since their inclusion in our labor contracts some ten years ago.

"Increases in wage scales, owing to their operation at the present time, are definitely only aggravating the situation.

"One experience we have had recently with a large group of our employees is that when a contract came up

for renewal the union was willing to settle on the same basis that had been arrived at with other groups whose current contracts included cost-of-living clauses." (*Chemicals*)

* * *

"As far as we are concerned personally, we do not expect to find ourselves confronted with a request for wage increases, as the contract we wrote with our union for the year 1946 included provision for a cost-of-living bonus based on BLS figures. We gave our employees a 6% increase on their take-home pay as of July 1, 1946, (this is equivalent to 8% on hourly rates) and, as far as we can tell, this cost-of-living bonus payment has satisfied our employees for the time being. Our present union contract expires December 31, 1946, and we do not expect to make any changes in basic wage rates, but to write a new contract which will continue the cost-of-living bonus—which, incidentally, has provisions for downward as well as upward revision." (*Chemicals*)

* * *

Some programs abandoned in the past have provided for cost-of-living adjustments in their union contracts or wage policies. Among the reasons given for such discontinuance are: (a) evidence that the increases above base rates have become more or less permanent and consequently were absorbed into the hourly rates; (b) dissatisfaction among union members because of their inability to understand the yardstick; (c) management and union disagreement over the indexes; and (d) fear of failure of the clause to work when living costs decline. Experiences of companies which have abandoned such clauses, as well as reasons for the discontinuance, are illustrated in the following comments:

"In 1941, we did establish a cost-of-living adjustment which operated for several years until it reached a maximum of 25% above base rates. When it became evident that the high wages and salaries were more or less permanent, we discontinued the cost-of-living adjustment, as we called it, and included the then existing cost-of-living adjustment in new base rates. Our experience with this plan while the cost of living was on the increase was quite satisfactory. I doubt whether it would have been quite so satisfactory if the cost of living had decreased, calling for downward adjustments. There is little likelihood that cost-of-living clauses will be included in our future wage and salary arrangements. If they are, they will provide for upward and downward revision." (*Instruments and controls*)

* * *

"We put a so-called temporary increase into effect in the early days of the war; 10% went into effect in March, 1942, and an additional 5% in September, 1942. This increase was applicable to hourly earnings but not to piece-rate premiums and was applied as a separate factor with no change in base rates. Our employees were quite conscious that it was a temporary adjustment and subject to increase or decrease. At the end of the war the general situation was such that we absorbed the increase into the hourly rates, and our employees recognized that

they had received a definite benefit in the termination of the 'temporary' aspect." (*Electrical machinery*)

* * *

"As to tying wages to the cost of living, we sponsored this before the war and had quite a time selling the union on this practice. As it worked out, they were very glad to have it, although of course wages were frozen for much of the subsequent period. This cost-of-living clause was intended and understood to provide for both upward and downward revision. Whether wages could have been reduced without trouble is anyone's guess. However, we think that this provision would be essential to any cost-of-living agreement. We do not, however, have this cost-of-living wage program in our present contract." (*Hardware*)

* * *

"We are decidedly against tying wages to the cost of living. Regardless of how you write such a clause in a union contract it will soon be found to be a one-way street as the employees rapidly adjust their thinking to the end that they consider the cost of living bonus a part of their regular wage. It works all right while it is going up but it doesn't work at all when it is supposed to go down. We tried it over several years and finally abandoned it, freezing the then existing cost-of-living percentage into the base wage. We will not try such an arrangement again if we can help it." (*General industrial machinery*)

* * *

"We have had some experience with a cost-of-living adjustment clause in one of our own contracts. It created dissatisfaction among the union membership because of their inability to understand the yardstick by which fluctuations in wages occurred under the agreement." (*Food products*)

* * *

"About twenty years ago our company had an arrangement with employees to adjust wages according to the cost of living. This was before our factories had been unionized. During the period of advancing living costs, wages went up; but when costs commenced going down, the employees opposed a decline in wages and countered with the suggestion that a cushion be built to offset subsequent increases in cost of living. The outcome was obvious, namely, that when costs commenced to go up, the previous cushion which had been accumulated was merely on paper and employees wanted increases. When the unions were formed, they refused to accept this arrangement." (*Lumber and products*)

SENTIMENT IN FAVOR OF CLAUSE

In addition to the executives who have had satisfactory experience with cost-of-living clauses and thus endorse their use, some others favor them under certain conditions. One condition frequently mentioned is that the clauses must provide for both upward and downward revision. Other conditions include the acceptance by both management and labor of one cost-of-living index; upward and downward revision adjusted somewhat by the prosperity of the employer or the profits earned by the corporation; provision

that wages must be substantially in excess of the actual cost of living ("in other words, labor is entitled to earn more than just the actual cost of living in order not only to increase its standard of living but also to provide for the future").

Some of the executives who have proposed incorporation of an escalator clause into wage agreements have run into strong opposition from union leaders. In part, this objection is directed to the provision for downward as well as upward adjustments. Thus, an executive of a chemical concern notes: "We have suggested at various times that an escalator clause be included with revision every three months, providing for downward as well as upward revision, but the union leaders and particularly the national advisers have always resisted such a provision."

Some observers attribute this opposition to a belief on the part of labor leaders that the cost of living may soon turn downward. As one executive puts it: "I understand that those who have had contracts based on the cost of living find that labor leaders are putting less emphasis on it as they seem to sense that food and clothing prices will probably decline and, therefore, they do not want a cost-of-living index tied in with wages."

A steel producer has found that the local union leaders charged with negotiating a contract "have indicated their reluctance to tie wages into any cost-of-living index, since they point out, and rightly so, that it is all very well when such an index is in an upward phase, but, when this trend is reversed, their position with their membership becomes untenable." An electrical equipment manufacturer, on the other hand, finds an apparent disregard by union leaders of BLS figures on the cost of living even during a period when such figures are headed upward.

MOST EXECUTIVES AGAINST CLAUSE

The two reasons most frequently advanced by the great majority of executives who are opposed to the adjustment of wages through a cost-of-living escalator clause are: (1) great difficulties would be encountered in administering the clause during a period of declining living costs; (2) wage rates and adjustments of wage rates should not be governed exclusively by living costs but should recognize productivity, efficiency, initiative, and community wage levels, as well as the law of supply and demand. Some other reasons for objecting to the clause are that wage rates would be constantly changing; as labor costs go up, living costs would rise; some of the evils of the cost-plus approach are introduced, but no real incentive is provided for efficient production; the clause is inflationary when trends are upward and deflationary on the down side; labor's object is an increase in real wages; the clause is "impractical and theoretically indefensible."

The executive who stated that these clauses intro-

duce something akin to a cost-plus arrangement went on to comment that he is opposed to all forms of escalator clauses. He observes that many of the purchase orders for materials today contain such clauses and that a large area of business is being transacted on virtually a cost-plus basis. Under such an arrangement the manufacturer does not have firm prices for his materials and purchased parts and, if the other important element of costs is subject to escalation, he is forced in turn to include a price protection clause in his sales contracts or assume abnormal risks if a firm price is quoted. It was further observed that in some industries it is much more difficult to revise price lists constantly than in others.

Some of the comments made by executives who are opposed to escalator clauses are shown below. More are given in the excerpts from the replies received shown on pages 407 to 409.

"The present fashion for cost-of-living clauses is basically unsound, in that during times of advancing prices they contribute toward an inflationary spiral. If downward revisions were agreed upon in times of declining prices, they would augment the deflationary spiral. Labor cannot be interested in maintaining its *status quo*, which is what it would be doing if wages rose and fell with the cost of living. Labor's objective is an increase in real wages, which can be accomplished only through an increase in production." (*Paper and products*)

* * *

"Tying wages to the cost of living is similar to a dog chasing its tail. The cost of living is based upon the price paid for commodities and the price paid for commodities is determined by the cost of production, which includes wages, material and profit. The greatest of these is wages since, theoretically speaking, materials are accumulated labor for which wages have been paid." (*Steel producer*)

* * *

"We think this is both impractical and theoretically indefensible. The cost of living is in no respect a factor in determining the amount of wages we can afford to pay. If our wage level were set at bare subsistence and just at starvation level, the cost of living would be an important factor in determining increases. Wages are, however, very substantially above this 'living wage' level. In the long run, employees would suffer under a concept that tied wages strictly to the cost of living, for no provision whatsoever would be made for improving the standard of living." (*Miscellaneous metals manufactures*)

* * *

"It is my opinion that to tie wages into a cost-of-living index fits into our whole economy about as well as the theory of the annual wage. In a free economy, the basic laws of supply and demand should govern. Start guaranteeing prices of goods, prices for labor, guaranteeing security, freedom from want, etc., and you will bring along with these horsemen two more: stagnation and chaos." (*Electrical appliances*)

"I do not believe that any attempt to tie wages to the cost of living will succeed, because I do not believe that a high standard of living can be guaranteed by any such manipulation. High production and production with efficiency are the only things that will give us this. Ignoring the law of supply and demand and artificially adjusting wage rates can only reduce our economic efficiency and hence lower our standard of living." (*Food products*)

* * *

"In my opinion it is perfectly absurd to tie wages to the cost of living, but of course it is easy for union leaders to persuade their members that this is proper because every man feels in his own pocketbook the cost of living. To increase wages without increasing productivity will always result in a higher cost of living, and if this spiral is continued goods could very easily be priced out of the market, which would close down business and stop employment. The public needs much enlightenment on this very thing." (*Machine tools*)

Amplifying the position of many executives that the best hope of the working man in the future lies in greater output, a machine-tool executive observes:

"Incentive seems to be the only answer to the increased production necessary. Incentive should be used to resell the individual the idea that each one of them is an independent operator and has the 'right to get rich' if he is good enough to do so. Only incentive will maintain that right.

"In this office we personally believe that any individual incentive is incomplete. We believe that every company should have a triple incentive plan, as follows:

"(a) A plan, patterned after the original Nunn-Bush Plan, wherein the cost of direct labor is averaged for a period of time, and that percentage is guaranteed to the workers, regardless of base rates, distribution from the surplus pool, if any, to be made monthly, quarterly, or semiannually, dependent upon company policy, and either straight across the board on a man-hour basis, or in proportion to base rate.

"(b) The earned hour incentive, or piece-rate incentive, which gives recognition to the individual physical and mental capacities of the employee. Naturally, this incentive is important during depressions when there is apt to be no bonus pool for distribution under plan (a), above.

"(c) The mental incentive system, wherein employees are urged to improve mechanically the operation of their company, through adaptation or invention, or come up with ideas which are time and money savers on material, flow, assembly, etc.

"Under this plan, I believe I am more generous than most thinkers, because I believe that all suggestions accepted by the management should require the immediate opening of a set of cost books to determine the actual dollar saving over a period of one year. I believe the employee should have 50% of those savings, even if it might result in a \$2,000 man getting a bonus of \$8,000.

"At the end of the first year, the books are closed, the particular plan becomes the property of the company, and no further payment is made on that idea."

Excerpts from Replies

Comments from cooperators grouped according to principal industry follow:

Automotive Equipment: "Wage rates based on anything except production are unsound." . . . "Men who produce at a high rate will always be able to command a high rate, and those who do not, should not receive additional compensation for something to which they have contributed nothing. In fact, their lack of contribution is what increases the cost of living." . . . "Tying wages to cost of living is a one-way street." . . . "As production efficiency improves, the savings should be directed toward price reductions rather than higher wages." . . . "Union leaders scheme to get wages up to the highest possible point. Then they want a cost-of-living clause, with the high point frozen as the floor. We are willing to offer a cost-of-living clause adjustable after six months, using our present wages as a starting point, but we insist on a long-term contract to give us the benefit of any downward swing in the cost of living. The union does not want that." . . . "It is quite sound to tie wage increases to the cost of living if wage decreases are similarly considered."

* * *

Chemicals: "I would not be in favor of including a cost-of-living clause in a union contract as it would be extremely difficult to have it revised downward." . . . "Such a provision is very unpopular with union leaders principally because it takes away one of their most useful tools, 'ability to pay.'" . . . "Such a situation could be twisted by some labor leaders to try to get the man to think that if he wants to continue to get high wages and continuous work he must do less work, because if he produces more and prices go down he will receive smaller wages." . . . "Our union contract includes a cost-of-living bonus, with provision for downward as well as upward revision." . . . "We feel that the cost-of-living clause provides the most equitable method of adjusting wages, but we are keeping our fingers crossed as to the grace with which the unions will accept downward revision."

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Electrical Appliances: "In a free economy, there is no place for cost-of-living clauses in union contracts." . . . "Labor rates already have risen far beyond the rise in living costs." . . . "Tying wages to the cost of living is probably as good a basis as can be found, but there is a limit, say \$3,000 per year, beyond which it should not apply."

* * *

Electrical Machinery: "I question whether it is to the interest of employees to tie wages to the cost of living." . . . "Industry in general can only pay the wages it can afford, regardless of the cost of living." . . . "If all companies tied pay increases to increased production or productivity their united efforts would swamp the inflationary spiral, while if wage increases are tied to a rising cost of living every such increase would give an accelerating boost to the spiral." . . . "The best solution is a semi-annual review of competitive rates in the locality, economic conditions, and our ability to pay." . . . "It would be extremely difficult to get any group to agree on a basis for measuring cost of living."

* * *

Food Products: "Wages tied to the cost of living rarely go down with reduced living costs." . . . "Cost-of-living clauses in contracts are pretty sure to end in continual controversies." . . . "The raising of wages to meet higher costs

of living must cease at some point or no equilibrium can ever be reached." . . . "Our published wage policy relates our rates to those of the communities in which we operate." . . . "Labor unions have been unwilling to subscribe to such a formula, presuming, no doubt, that the cost of living will soon turn down." . . . "We made an agreement to follow a cost-of-living pattern in determining our rates, and on a comparative basis this policy has worked remarkably well." . . . "A more reliable and generally acceptable basis for measuring cost of living will have to be developed before it can be tied in to the extent of making it permissible to reopen contracts."

* * *

Foundries: "Wages are not related to what it costs a man to live but to the market for his type of labor." . . . "If wages were based on needs, a man with many dependents would get much higher wages than a single man. This violates the principle of equal pay for equal work, and would also make it difficult for a man with many dependents to obtain employment. Furthermore, this practice is extremely inflationary." . . . "Union leaders are always opposed to any provision for a downward revision." . . . "I do not believe that this is a practical solution to the problem because of the inaccuracy of cost-of-living figures. Also, such a clause could not be enforced if the revision were downward."

* * *

Industrial Machinery—General: "A corporation cannot as a practical measure agree in advance to wage rates based on factors wholly outside the corporation's control." . . . "We cannot visualize labor accepting an automatic reduction in the middle of a contract in the event the cost of living were to go down." . . . "Tying wages to the cost of living involves endless problems which cannot be settled on a factual basis." . . . "While such a clause has the danger of pushing along an inflationary spiral, on the other hand it is a theory that the average workingman understands the best." . . . "Some tie-up in contracts with the cost of living would probably be the only solution to a problem which seems to be spiraling rather than subsiding."

* * *

Industrial Machinery—Specialized: "Our product has absolutely no bearing on the cost of living and we could not agree to pay wages based on a scale which we could not control at least in some small measure." . . . "Unions would resist any downward revision and at the same time would attempt to raise wages annually with respect to the cost of living." . . . "We have been willing to discuss cost of living as one of the factors which must be taken into consideration in the establishment of wages." . . . "The commonly published indexes do not reflect the day-to-day costs which the employee faces. Like all such wage programs, it would look good on the way up but would arouse bitter opposition on the way down." . . . "The cost of living is such a variable and indeterminate quantity that it is not a very good standard." . . . "Tying wages to the cost of living gives the union an added incentive to accelerate the spiral as well as increased opportunity to do so."

* * *

Machine Tools: "The efficiency factor disappears with such a tie-in." . . . "No clause that can result in a downward revision of wages is workable." . . . "A national shakedown will have to occur before there is a satisfactory answer to the wage-price problem." . . . "Wage revision upward is a comparatively simple thing to accomplish, but agreement on a downward revision is virtually impossible." . . . "If all wages were tied to the cost of living, we would rapidly spiral costs out of sight." . . . "Tying wages to the

cost of living prevents the proper and necessary economic adjustments, and perpetuates a situation of maladjustment which, in the long run, would be very harmful." . . . "We have a cost-of-living clause for the first time, and the administration of such a clause will present an extremely difficult labor relations problem." . . . "Should the practice become more or less uniform, it would not be too bad, providing there was agreement as to whose statistics would be used and as to the correctness of these statistics." . . . "Wages should be tied to the cost of living and should include both upward and downward revision, depending somewhat on the prosperity of the company."

* * *

Mining and Quarrying: "It would not be advisable to have a contract tied to any sort of index of the cost of living because whenever it became necessary to open the contract for higher living costs, it would also be opened on many other features at the same time. Present wages have far outstripped any increases that could possibly be attributed to higher living costs." . . . "The United Mine Workers will use as an argument the increased cost of living in obtaining pay increases, but they would never recognize a decline in the cost of living as a reason for lowering rates of pay." . . . "Over a number of years we have attempted to keep basic wage rates in line with cost-of-living changes, but during the war period basic rates have gone up faster than the cost of living."

* * *

Office Equipment: "Tying wages to the cost of living until greater normalcy has been achieved, would merely start an automatic stepping up—first of one and then of the other." . . . "Tying wages to the cost of living is satisfactory neither to employer or to employee." . . . "Any downward revision would not be accepted." . . . "Wages should be tied to production and not to the cost of living." . . . "It is fair to tie wages to the cost of living if labor unions will accept decreases as well as increases, at least as far down as the base period (BLS, 1935-39=100), assuming that the unions would accept recognized cost-of-living figures as the guide." . . . "Tying wages to the cost of living has worked very well in Canada, both during the war years and today."

* * *

Paper and Products: "Tying wages to the cost of living, rather than to productivity, is unsound economically, since if it were universally practised, it would produce an automatically continuing spiral and thereby would magnify rather than diminish business highs and lows." . . . "I do not favor tying wages to the cost of living, except possibly as a short-term, opportunistic expedient." . . . "The tendency of labor is to operate such a clause on a rising cost of living only." . . . "Many of our unions are against this practice, although under certain conditions they use the cost of living as a basis for demands." . . . "Cost of living has a definite bearing on wages, but it should not be the controlling factor." . . . "Real wage increases result only from increased production." . . . "Some mills pay a cost-of-living bonus by issuing separate checks to all employees, who receive the same amount." . . . "Our present labor contract includes a clause that wage provisions could be reopened if the cost-of-living index rose 15 points. This occurred, and we granted an increase of 5 cents an hour." . . . "Back around 1940, we had a labor contract tied to the cost of living, under which we gave 2 cents an hour for each three points of rise in the index. This formula died with the stabilization program, and we have not revived it. We doubt whether our union would accept such a conservative measure today."

Petroleum Products: "Basic wage rates cannot be tied to the cost of living but need rather to be related to over-all productivity. When violent changes in prices are experienced, compensation changes are called for as supplements to basic rates." . . . "Tying wages to the cost of living would tend to bring about unnecessary variations in basic rate structures unless such clauses became industry practice." . . . "If we were to negotiate our own deal with employees, apart from the influence of industry practices, we would negotiate a cost-of-living adjustment removable when the index receded to a previously agreed point." . . . "In November, we offered a cost-of-living bonus to our employees with the provision that employee representatives would not request any adjustment in wages to become effective before the middle of January."

* * *

Woolens and Worsteds: "Tying wages to the cost of living will work splendidly on the way up but the company will have trouble when living costs go down." . . . "It is a most difficult and controversial process to determine cost-of-living changes to the satisfaction of both parties concerned."

Other Textiles: "Tying wages to the cost of living means a continuing upward spiral." . . . "Fundamentally wage increases should result from greater efficiency and greater production and demand." . . . "A cost-of-living bonus including provision for both upward and downward revision is not practical." . . . "Every time we talk about tying wages to the cost of living, up goes the cost of living." . . . "Any automatic linking of wages to a cost-of-living index reduces the freedom of negotiation." . . . "Trying to determine wages on the basis of the cost of living would involve too many complications to be practical." . . . "There is some merit to cost-of-living clauses providing that adjustments may be made in either direction." . . . "Tying wages to a cost-of-living index seems to be the least risky method in many ways, although it has many obvious practical difficulties. Provision for upward and downward revision sounds all right to the unions now but might be resisted when prices were going down. This method also more or less commits the company to wage increases regardless of the local financial situation."

HENRY E. HANSEN
Division of Business Practices

Union Welfare and Health Funds Growing

THE NUMBER of workers covered by health and welfare funds in union agreements has increased sharply, according to Boris Stern, Chief of the Industrial Relations Branch of the United States Bureau of Labor Statistics. In an address before the Council on Industrial Health of the American Medical Association, he stated that the BLS estimates 1,250,000 workers are now included in such funds, or more than double the coverage of 600,000 found in the bureau's 1945 survey.

The largest number of workers, 450,000, covered by such agreements in any one union, is in the coal-mining industry. Approximate coverage in other union welfare fund agreements is: men's clothing, 275,000 workers; ladies' garments, 200,000; textiles, 125,000; hats and millinery, 20,000; laundry, cleaning and dyeing, 30,000. Other industries covered, for which the bureau has no precise information, are street railways, machinery, retail and wholesale trade, fur and leather, furniture, building trades, and office workers.

NEW DEMANDS

According to the *United Automobile Worker* of November, 1946, instructions have been sent by the headquarters of the United Automobile Workers (CIO) to all local unions to demand a comprehensive and uniform group-insurance plan in all collective-bargaining agreements held by the union. The highlights of the program as worked out by the union are:

Employers to be asked to contribute a sum equivalent to at least 3% of their total hourly rate payroll which is to be paid into a Social Security Fund administered by the union.

Death benefits of at least one year's earnings.

Disability benefits of not less than 50% of average earnings (with a guaranteed minimum weekly payment) up to a maximum of fifty-two weeks.

Dismemberment benefits equivalent to death benefits.

Hospital, surgical, medical and maternity benefits for workers and their dependents.

Other benefits include the payment of lump sums for permanent disability, loss of members, loss of sight, etc.

UNION ADMINISTRATION

The union demands the entire administration of the fund "in order to eliminate commissions and fees which boost the cost of ordinary group insurance." Under the contemplated plan, claims and benefit payments will be channeled through the local unions.

F. BEATRICE BROWER
Management Research Division

Helping the New Supervisor

MANY MEN in management positions remember quite vividly their first months as a supervisor. The flush of exhilaration at the new promotion is soon replaced by a realization of new responsibilities and new relationships with the people of the organization. The seemingly enormous amount of information and skill to be acquired sometimes frightens the novice. He may be troubled by the feeling that he is expected to function at top efficiency right from the start. Even though his superior may be patient, he knows his employees are watching him to see what he is going to be like as a boss.

To help men make the transition from the status of a production employee to that of a member of management, the Caterpillar Tractor Company conducts an introductory program for new supervisors. The program is designed to equip the supervisor with a great deal of the information he will need, to provide him with the opportunity to meet and talk with company executives, and to make him feel that he has become a part of the management group.

NATURE OF THE PROGRAM

The program consists of five successive days of conferences at a local hotel. In morning and afternoon sessions, various phases of the company's business and problems of supervision are discussed. Most of the meetings are conducted by the training department, although such topics as safety, the union agreement, and veterans' relations are handled by the appropriate staff specialist. At lunch, company officials meet with the group. Usually four executives attend each noon, so that by the end of the week several executives have had the opportunity to meet with the new supervisors. The company president and various vice presidents speak at the luncheon sessions, and afterwards discuss questions put forth by the supervisors.

The program is as follows:

FIRST DAY	
Outline of the program	Lunch
Inducting the new employee	Industrial relations
Personality traits	Safety
Progress reports	The supervisor as a leader
SECOND DAY	
Reprimanding effectively	Visit to the proving grounds
Foundations for good relations	(so that each conferee can
Brief history of diesel engines	operate tractors, motor grad-
Lunch	ers and other products)
THIRD DAY	
Job instruction	Lunch
Union agreement	Checking decisions
Product distribution	Importance of attitudes

FOURTH DAY

Job methods
Unfair labor practices
Handling grievances
Veteran relations

Lunch
Cost control factors
Quality control

FIFTH DAY

Planning the day's work
Supervisors' conduct
How the company's business is
financed

Lunch
Supervisor and the community
Company organization
General discussion

The method of presentation varies with the subject matter and includes conference discussions, lectures and films. On the last day, the conferees are asked to answer a questionnaire covering the material included in the program. Notes or other information may be used in answering the questions. The principal purpose of the quiz is to check the quality of the instruction. Typical questions are: "Please give the purpose of a reprimand and the five principles recommended to accomplish this purpose." "How long can a supervisor wait in Step 1 before he gives an answer on a grievance?" "A man asks whether or not he should join a union. How can you answer him?"

ADMINISTRATION

The training department holds the five-day conferences quarterly so that all new supervisors appointed in the preceding three months will be invited to attend. When arranging the attendance list, the training department notifies the department heads, who instruct their new supervisors to attend. As a means of checking on the program, several general foremen have been included in recent groups. The number of new supervisors participating in the conferences varies, running from 75 to 100 each year.

WILLIAM W. MUSSMANN
Management Research Division

Compensation Laws Reviewed

The Division of Labor Standards, United States Department of Labor, has compiled a ready reference pamphlet of state workmen's compensation laws as of June 1, 1946. The pamphlet, Bulletin No. 78, points out that amendments to existing workmen's compensation legislation constitute the most frequent subject of bills submitted in the labor law field. The trend of these bills is ordinarily in the direction of liberalizing benefits for industrially injured workmen or their dependents.

In reviewing the existing laws, the report points to two outstanding features—the wide variation of benefits provided in the various states, and the inadequacies of protection still existing in many states. The pamphlet summarizes the state workmen's compensation laws for legislators, administrators, insurance carriers and labor groups. F. B. B.

Veterans' Readjustment Allowances

PRELIMINARY reports for October indicate that claims for readjustment allowances filed by ex-servicemen are following a downward trend. Initial claims after a sharp decline in September receded further in October to reach a low of slightly more than 357,000, the smallest number recorded since October, 1945. The continued claims load for October was reduced by more than 1.7 million during the month.

INITIAL CLAIMS

Total initial claims increased substantially during May because of labor displacements. They resumed a decline in June only to be interrupted again in July because of labor unrest. However, with the settlement of most major disputes, initial claims have continued to recede since July. The rapid rise in additional claims represents veterans returning to the program because of second or subsequent periods of unemployment. This development has been apparent since January when new claims have steadily decreased, while the number of additional claimants has con-

tinued upward to constitute a greater proportion of total initial claims. In September, the latest date for which such information is available, more additional claims than new claims were received, or over 63% of total initial claims. This compares with 16% last September and 1% in September, 1944. Since the number of new claimants has tended to follow the general pattern of demobilization, it is not strange that there are fewer of these initial claims now that large-scale demobilization is completed and civilian employment is at comparatively high levels. Offsetting this decline, however, is this ever-increasing number of veterans filing additional claims. Unemployment among veterans thus seems to be owing to shifting from job to job rather than from inability to secure employment upon discharge from the Armed Forces. Veteran claimants may also be among the last to receive a job under normal placement procedure, and so be among the first to feel the effect of layoffs and recessions.

The continued claims load has showed steady in-

VETERAN CLAIMS FOR UNEMPLOYMENT AND SELF-EMPLOYMENT ALLOWANCES

Source: Veterans Administration

Month	Claims for Unemployment Allowances					Claims for Self-Employment Allowances		
	Initial Claims				Total Continued Claims	New	Additional	Total
	New	Additional	Total Initial Claims	Additional Claims as % of Total Initial Claims				
1944 September.....	11,670	147	11,817	1.2	12,868	0	0	0
October.....	11,936	985	12,921	7.6	44,447	0	0	0
November.....	14,333	1,868	16,201	11.5	69,456	569	67	636
December.....	19,538	3,000	22,538	13.3	103,814	609	506	1,115
1945 January.....	18,434	3,842	22,276	17.2	123,014	590	824	1,414
February.....	14,751	4,473	19,224	23.3	126,683	1,126	1,517	2,643
March.....	15,061	5,605	20,666	27.1	142,238	1,784	2,674	4,458
April.....	13,760	5,688	19,448	29.2	135,698	2,602	4,362	6,964
May.....	16,309	7,585	23,894	31.7	144,417	2,844	6,615	9,459
June.....	23,947	8,319	32,266	25.8	159,875	2,827	9,193	12,020
July.....	32,747	9,578	42,325	22.6	203,103	2,271	10,940	13,211
August.....	57,708	16,370	74,078	22.1	260,811	2,275	11,573	13,848
September.....	94,112	17,806	111,918	15.9	400,151	2,614	11,824	14,438
October.....	236,186	24,229	260,415	9.3	774,360	3,379	11,624	15,003
November.....	390,340	35,731	426,071	8.4	1,414,696	6,571	11,646	18,217
December.....	510,601	56,176	566,777	9.9	2,401,185	15,917	17,443	33,360
1946 January.....	924,501	105,670	1,030,171	10.3	4,594,283	31,498	34,574	66,072
February.....	793,398	114,625	908,023	12.6	5,846,239	67,442	64,620	132,062
March.....	658,053	143,263	801,316	17.9	7,352,690	71,709	130,664	202,373
April.....	512,060	178,302	690,362	25.8	7,685,290	71,609	198,755	270,364
May.....	490,820	249,872	740,692	33.7	7,690,145	49,665	260,127	309,792
June.....	371,126	231,191	602,317	38.4	6,982,107	30,853	291,192	322,045
July.....	373,634	283,039	656,673	43.1	7,827,585	20,054	300,500	320,554
August.....	307,620	294,545	602,165	48.9	7,147,818	13,730	285,050	298,780
September.....	163,847	283,014	446,861	63.3	6,127,774	10,693	254,358	265,051
October.....	n.a.	n.a.	357,064	n.a.	4,390,168	n.a.	n.a.	n.a.

n.a. Not available

creases from the beginning of the program, the most rapid occurring in the months from October, 1945, to July, 1946. In the latter month, continued claims totaled 7.8 million, the largest monthly figure on record. Since July, there has been a marked downward trend. Claims for unemployment compensation have constituted more than 95% of the total.

Although the indicated reduction in the volume of claims is significant, it does not necessarily indicate a fundamental basic downward trend. The decline in the past few months is in great part attributable to the withdrawal of a considerable number of veterans who have entered schools and colleges.

SELF-EMPLOYMENT ALLOWANCES

A similar but less-marked trend also exists in the self-employment phase of the program. Characteristic of the trend since March, new claims again declined in September. The 10,693 new claims received are about one seventh of the peak load of March.

Additional claims have experienced heavy increases throughout the period, and have exceeded new claims since January, 1945. In September, however, additional claims tapered off and were down for the second consecutive month from the high point reached in July.

ROSALYN D. SIEGEL
Statistical Division

Labor Press Highlights¹

Higher Wages for Textile Workers

A general increase of 15 cents an hour will be demanded by the Textile Workers Union of America from the employers in ten New England and Middle Atlantic states, according to *Textile Labor* (TWUA-CIO). TWUA is the first CIO union to announce specific wage demands. According to Emil Rieve, general president of the union, "American textile workers . . . are still among the lowest paid industrial workers in the country."

Manual for Stewards

Union shop stewards in American Woolen Company mills participating in a union education program follow a manual issued by the Textile Workers of America. The manual treats the workings of social security, unemployment insurance and workmen's compensation, and includes an insert on the group insurance plan set up at the company and an analysis of the union agreement with the company.—*Textile Labor*.

¹From the November labor press.

For Closing Wage Gap in South

Southern steelworkers in Birmingham, Alabama, were told by Van A. Bittner, Vice President of the United Steelworkers of America, that the southern differential must be wiped out. He said also that the steelworkers must strive to establish a guaranteed annual wage in the steel industry. Mr. Bittner praised local labor unions as "the symbol of the greatest experiment in democracy in the history of the American labor movement."—*Steel Labor*.

Layoffs in Chicago Cloak Industry

The first layoff in four years is being experienced by the Chicago ladies' garment industry, according to Morris Bialis, in *Justice* (ILGWU). A number of cloak shops have been working only half time during the last few weeks, while several others, finishing out the fall season, have stopped production altogether. In the dress industry, there has been a slackening of production which is likewise attributed to shortage materials.

Union committees now engaged in price settlements are feeling the pressure of the slack season, but are not allowing this fact to influence them in maintaining the settlement levels which are absolutely necessary in order to enable the Chicago garment workers to meet rising costs of living.

Mr. Bialis, manager of the Midwestern District, says that the demands for a health fund will take top priority in the renewal of the industry agreement.

AFL and Free Economy

Effective insurance against higher prices is increased production, according to George Meany in the *AFL Weekly News Service*. His editorial declares a need for restraint on the part of management and labor "if we are to have an ordered economy and check inflation." Mr. Meany reasons that if prices and the cost of living rise sharply, the natural and inevitable result will be a wave of demands for wage increases which may result in still higher prices and runaway inflation.

Steelworkers To Demand Increases

Philip Murray announced that the United Steelworkers of America will "fight for increased wages and a decent stabilized economy." Declaring that "wage increases in steel will not be asked out of a spirit of vengefulness," he stated that contentions in this regard "are predicated wholly on the fact that American industry is able to absorb wage increases without increasing the price of their commodities."—*Steel Labor*.

British Unionists Embarrass Labor Government

A resolution introduced at the annual meeting of the British Trades Union Congress severely condemning the government's foreign policy caused the British Labor Government to suffer "the heaviest blow since it took office about a year ago," asserts *Labor* (railway brotherhood unions). Government spokesmen and big union leaders exerted all their influence against the resolution, but 40%

of the delegates voted for it directly after Prime Minister Attlee denounced the resolution as the work of "Communists, their dupes and fellow travelers."

The Congress voted to demand legislation establishing a 40-hour work week and went on record for the "closed shop" in industry.

Canada's Need for Production

An editorial in *The Canadian Unionist* (CIO) states that because of production loss from widespread strikes during the past three or four months, it would be difficult to hold prices unless goods are produced in ample quantities. It is in the interest of the nation and the world that Canadian production should get under way and reach its highest possible level at once.

Canada's Continued Price Control

Canadian wages are only one half to two thirds of the rates on similar jobs in an American plant, but a dollar in

that country goes a lot further with the remaining price control than it would if the ceilings came off, says the *UE News* (UE-CIO). The paper insists that Canadian local unions must lead in their communities in mobilizing all possible pressure on the federal authorities "to reinstate full price control" when Canada's War Measures Act expires in March.

Cincinnati City Employees' Demands

An eleven-point program for the employees of the City of Cincinnati was recently submitted to the City Manager by the Regional Director of the United Construction Workers (UMW-AFL). Foremost among the union's demands is a forty-hour week for all city employees, with no reduction in salaries. The municipality stated that an additional tax levy would be required to meet this demand. Other demands included pay and bonus specifications.—*United Construction Workers News*.

ELAINE P. SILVERMAN

Management Research Division

Growth of Five-day Week in Offices

Considerable speculation exists among employers of office workers as to the number of companies that, since V-J day, have changed to a five-day week. In an attempt to furnish factual answers to these questions, THE CONFERENCE BOARD recently conducted a survey of 437 industrial and commercial companies

in twenty cities. The results of the survey reveal that in every city, with the exception of Louisville where the sample is small, there has been a significant shift among clerical workers to the five-day week.

The complete results of the survey are given in the table. S. A. R.

NUMBER OF DAYS PER WEEK WORKED BY CLERICAL EMPLOYEES IN COOPERATING COMPANIES

Cities	Present Number of Days per Week						Wartime Number of Days per Week									
	5	5½	6	Staggered		Days Not Indicated	Total	5	5½	6	Staggered				Days Not Indicated	Total
				5 and 5½	5 and 6						5 and 5½	5 and 6	5½ and 6	6 and 7		
Atlanta.....	13	1	.....	.....	.....	.....	14	6	6	1	.....	.....	.....	.....	1	14
Baltimore.....	18	.....	.....	.....	.....	.....	18	6	8	4	.....	.....	.....	.....	.....	18
Boston.....	23	2	1	2	.....	.....	28	11	9	4	1	.....	.....	.....	3	28
Buffalo.....	8	2	1	2	.....	.....	13	2	6	3	1	.....	.....	.....	1	13
Chicago.....	26	4	2	1	1	3	37	9	15	8	.....	1	.....	.....	4	37
Cincinnati.....	15	3	.....	.....	.....	1	19	7	6	2	.....	.....	.....	1	3	19
Cleveland.....	11	4	1	.....	.....	.....	17	1	6	7	.....	.....	.....	.....	3	17
Detroit.....	25	4	.....	1	.....	.....	30	5	11	11	.....	.....	.....	.....	3	30
Houston.....	11	3	1	.....	.....	.....	15	2	6	6	.....	.....	.....	.....	1	15
Los Angeles.....	23	2	3	.....	.....	2	30	3	14	10	.....	.....	.....	.....	3	30
Louisville.....	5	1	.....	.....	.....	.....	6	3	3	.....	.....	.....	.....	.....	.....	6
Milwaukee.....	12	4	.....	1	.....	.....	17	6	6	1	1	.....	1	.....	2	17
Minneapolis-St. Paul.....	16	1	2	.....	.....	1	20	7	9	3	.....	.....	.....	.....	1	20
Newark.....	14	2	.....	.....	.....	.....	16	6	4	4	1	.....	.....	.....	1	16
New York.....	50	6	1	6	.....	1	64	33	18	6	1	1	.....	.....	5	64
Philadelphia.....	19	4	1	.....	.....	.....	24	9	6	6	1	.....	1	.....	1	24
Pittsburgh.....	15	1	1	.....	.....	.....	17	9	3	1	1	.....	1	.....	2	17
St. Louis.....	18	4	.....	.....	.....	.....	22	10	6	2	1	.....	.....	.....	3	22
San Francisco.....	15	4	.....	.....	.....	.....	19	4	11	1	.....	1	.....	.....	2	19
Seattle.....	9	2	.....	.....	.....	.....	11	2	1	4	.....	1	.....	.....	3	11
Total.....	346	54	14	13	1	9	437	141	154	84	8	4	3	1	42	437

Joint Training for Supervisors and Stewards

THE SIGNING of a union agreement creates for both parties the task of developing in their respective staffs, supervisors and stewards the ability to achieve harmony in the day-to-day labor relations. Some unions have developed training programs for union representatives. Some have prepared handbooks to teach the steward how to use the collective-bargaining machinery. An increasing number of companies are likewise endeavoring to train supervisors to carry out their part of contract responsibilities.

At the Botany Worsted Mills, Passaic, New Jersey, an unusual experiment has been initiated. The company and the Textile Workers Union of America (CIO) are training supervisors and stewards in labor relations, sitting together in the same classroom and under the same instructors. Both the company's management and the top representative of the union believe that harmonious relationships can be developed through common instruction and discussion.

The program was inaugurated at a dinner meeting attended by supervisors and union representatives. The company's director of industrial relations, General I. J. Phillipson, outlined the purpose of the course, its content, and the details of procedure. Colonel Charles F. H. Johnson, President of Botany Worsted Mills, and George Baldanzi, Executive Vice President of the union, explained the philosophy which gave rise to the establishment of the program.

Eventually 350 supervisors and 75 union representatives will receive the training. Since it was impossible to start the training for all participants at the same time, it was decided to start at the lowest levels, because it appeared that the greatest possibilities for immediate improvement were there. Twelve to fifteen persons comprise each group. As far as possible, supervisors of similar rank and the union representatives who normally work with them are assigned to the same group.

The course consists of fifteen one-hour sessions, conducted on company time and on a compulsory basis. The material has been prepared and the instruction is given by the company's industrial relations staff with the assistance of union officials. At each class session both an industrial relations staff member and a union official are present. When difficult questions that cannot be immediately answered arise in class (e.g., interpretations of the contract), they are recorded and, after determination by the management and the union, the answers are reported back to the group. Questions and answers of general interest are to be printed and distributed to all participants at the conclusion of the course.

The outline of the course is as follows:

Session

- I—General policies and rules of Botany.
- II—Legal aspects on Botany policies and rules.
- III—Presentation of foundations of good relations.
- IV—To present the four-step method of "Handling a Problem."
- V—To discuss a case problem.
- VI—Demonstration of the four-step procedure by two members of the group on their own cases.
- VII—1. To define a grievance.
2. To fix the roles of the section hand, shop steward, overseer, shop chairman, superintendent, director of labor relations, business agent, director of industrial relations, business manager of the union in the grievance procedure.
3. To give supervisors and union officials a picture of the complete grievance procedures.
4. To teach supervisors and union officials how to properly fill out grievance forms.
- VIII—1. To acquaint group with the proper procedure to use in "Handling a Grievance."
2. To acquaint group with the proper shop steward—section-hand, etc., relationship.
3. To show ways to prevent the development of grievances.
- IX—Absentee, labor turnover, and lateness problems and their possible solutions.
- X—Botany policies and procedures on
a. Leaves of absence
b. Termination procedures
- XI—Botany policies and procedures on
a. Group insurance
b. Workmen's compensation
- XII—Botany policies and procedures on
a. Seniority
b. Transfers
- XIII—Botany policies and procedures on
a. Wages and hours
- XIV—1. To acquaint supervision and union officials with the responsibilities that the union must assume under the contract.
- XV—1. Summary of the course.
2. Skit of the course.

The first step of the grievance procedure presents many problems for both the first-line supervisor and the steward:

"In the meaning of the Botany-Union contract the term grievance is a complaint based on either a real or imaginary cause for dissatisfaction which an employee feels the company should adjust. Thus a grievance presents a problem (see Session IV) on which action must be taken.

"While the contract does not specifically define a grievance it provides in Article IX, Section A: 'Should an employee have any grievance, an earnest effort shall be made to adjust such grievance immediately in the following manner: Step One—between the aggrieved employee or employees, the shop steward and the immediate superior in the aggrieved employee's department; Step One is oral and need not be in writing.'

"It is apparent from the foregoing that a grievance in the language of the contract is not limited to violations of the contract. It applies to any complaint of a worker concerning wages, hours, or conditions of employment which the worker feels the company should adjust. The field for possible grievance is broad, and the prompt, fair, and honest adjustment of grievances should be the purpose of all persons engaged in handling them.

"Despite the importance of the role of the immediate superior of the aggrieved employee in the grievance procedure, it is but one of the many responsibilities devolving on him. The shop steward is elected by his fellow workers principally for the purpose of representing them in the first and second steps of the grievance procedure. The supervisor can delegate none of his responsibilities to the shop steward; nor can the shop steward accept or carry out the responsibilities of the supervisor. Each, however, has certain responsibilities common to both. One of these is to participate in the grievance procedure; another is to get the facts concerning grievances; third, is to avoid work stoppages which interfere with production. Both are employees of the company and as such have the group and individual responsibilities incident to such employment. It is in these common fields that the two must work harmoniously together without either surrendering the authority peculiar to his status as supervisor or shop steward.

"While the contract sets forth the general procedure for handling grievances, it does not go into the details of the actions of company and union representatives in settling grievances. Nor is a rigid formula desirable or necessary. There are, however, certain usual practices which are not necessarily invariable.

"The grievance procedure ordinarily commences with a shop steward's approach to a section hand to get the latter to take some action in behalf of an aggrieved worker whom the shop steward represents. Before contacting the section hand, the shop steward should get all the facts that he can. He has first-hand knowledge of the workers for whom he speaks and of conditions as they exist locally. He should be familiar with the provisions of the contract and their meaning, as well as with policies enacted into law or sanctioned by practice or precedent (see Sessions I and II) . . .

"If, after careful investigation, the shop steward is convinced that there is insufficient cause for a grievance it should not be presented to the supervisor. Insistence on the consideration of grievances for which there is no justification weakens the position of the shop steward. The disappointment of the complainant will be keener if the grievance is taken up and lost than if he is convinced at the outset by the shop steward that there is no cause for action. It is important that the complainant understand clearly why the shop steward believes that it is undesirable to proceed further with the grievance. This should be fully explained to the worker as well as his right, if he is not satisfied with the explanation, to appeal to the shop committee, the executive board, membership meetings, and the business agent to secure their decisions in the matter.

"It is unwise for the shop steward to promise a favorable settlement of a grievance. If the results do not

justify the promise the worker will be disappointed because a grievance, the outcome of which he fully expected to be in his favor, has been decided against him. If the outcome is favorable to the worker, his pleasure will be greater because of his winning a decision regarding which he had no assurance.

"Having satisfied himself that a grievance can be justified, the shop steward, accompanied by the worker, presents the facts, as he understands them, orally to the section hand for consideration and decision. The advisability of settling a grievance in the first step, if at all possible, is apparent. Settlement is made by the representatives of the company and the union most closely in touch with the aggrieved worker and the situation. The matter is disposed of without committing it to writing. The expenditure of time, effort, and money is minimized. Grievances can be most expeditiously settled at this level. Such settlements bring prestige to section hand and shop steward and establish their leadership.

"The worker may contact the section hand instead of the shop steward to present a complaint, suggestion, or request which may or may not be a grievance in the meaning of the contract. If a real grievance exists, the supervisor should immediately send the complainant to the shop steward for the necessary preliminary action since the union is the sole authorized collective-bargaining agency under the contract, and company representatives are not permitted to settle grievances with individual workers. It is understood, however, that a section hand may listen to any grievance, but one that necessitates the union's action cannot have a decision unless the union is called in.

"However, many complaints, requests and suggestions voiced by workers do not constitute grievances within the meaning of the contract and these the section hand must handle with or without the assistance of the shop steward, as circumstances appear to warrant. Another problem with which the section hand is primarily concerned occurs when he is dissatisfied with the conduct or the work of one or more members of the group under his supervision. The advice of the shop steward regarding facts, feelings, attitudes, the union's viewpoint, etc., can be of inestimable value under these circumstances and should be sought as a rule. The decision and action taken, however, are solely responsibilities of the section hand and cannot be delegated to the shop steward."

The remaining part of Session VII deals with the subsequent steps of the grievance machinery.

Although the program has not yet been completed, both the company and the union have already observed beneficial results. There has been the tendency for the prestige of first-line supervisors to be restored. Both supervisors and stewards are coming to understand better their respective responsibilities and functions. The common training has promoted better personal relations between first-line supervisors and stewards, with indications that more and more grievances will be settled at this level of the grievance procedure.

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Financing a Flying Club

LARGE NUMBERS of employees returning from war air services have given impetus to a new type of recreational activity—flying clubs. The development is not limited to aviation companies where planes are more readily available but is found also in other types of industry where plans must be worked out for financing club equipment.

The Caterpillar Tractor Company, Peoria, Illinois, provides an example. The Caterpillar Employees' Flying Club, formed in November, 1945, has a two-membership plan, with basic and flying members, and finances its equipment through what is known as a dual recovery plan.

Any full-time employee of the company may belong to the club, which is incorporated under the Illinois laws as a nonprofit organization. Basic members, who pay dues of \$1 a year, have the right to vote upon any issue not directly involved with the control or operations of flying equipment and to participate in all club activities. These include educational pictures, addresses by speakers, ground school work, classes arranged through the Peoria Wing of the Civil Air Patrol and classes held at the airport in radio, navigation and meteorology.

In addition to the rights and privileges of basic members, flying members have the right to vote on all issues involving the control and operations of flying equipment. They pay an initiation fee of \$25, dues of \$2 a month and \$4 an hour for solo flying. Two club instructors are provided. Club members, however, may choose any CAA certified instructor.

CLUB MANAGEMENT

The club is managed by elected officers consisting of president, vice president, secretary and treasurer, and it has two active committees. A safety committee, consisting of three licensed private or commercial pilots within the flying membership, fixes the safety rules and regulations governing the use of club equipment. An operations committee is made up of five members—the chairman who is known as operations manager and four members whose duties are divided into (1) scheduling of flying time, (2) purchasing, (3) maintenance and inspection, and (4) supervising instructors. The supervisor of instructors must be a qualified CAA instructor.

At the end of October, 1946, the club had 150 basic members and thirty-five flying members. Of these, eleven were women, one of them a flying member. Fourteen basic members have joined the flying membership since the club was organized and have

made their solo flights in the club ship, a Taylorcraft plane bought by the club in the spring of 1946. It was purchased from a local airport where the plane is hangared and was financed through the Caterpillar Employees' Credit Union, where monthly payments are made.

FINANCING EQUIPMENT

The dual recovery plan for financing club equipment is as follows:

Costs of operation, estimated at \$4 an hour solo, were derived from consideration of direct and indirect costs, plus an allowance for depreciation, based on 600 flying hours a year. Direct costs, which include gasoline and oil, periodic inspections and general maintenance, average \$2 an hour of operation. Estimated costs for 600 flying hours are:

Gas and oil.....	\$750
24—25 hr. inspections.....	140
6—100 hr. inspections.....	150
Parts, etc.....	160
Total.....	\$1,200

Hangar rent for twelve months amounts to \$150 and insurance \$300, making a total of \$450, or 75 cents a flying hour for these indirect costs. An allowance of \$1.25 an hour for depreciation was based on established experience with light planes which indicated that such airplanes may be flown 2,000 hours before general maintenance charges become excessive.

Recognizing that in any successful flying club a definite ratio must exist between flying members and the number of airplanes used, the Caterpillar group estimated that each member would fly 30 hours a year. Applying this average to the 600 hours per year of expected use of equipment suggests that at least twenty members must be obtained for each airplane. Since the Caterpillar club now has thirty-five flying members, it is seriously considering purchasing a second plane.

Initiation fees, monthly dues and basic dues furnish an additional \$125 per capita over a four-year period and provide the club with its second recovery of initial costs, the first coming from \$1.25 depreciation allowance per hour for 2,000 hours.

At the end of October the Caterpillar Flying Club's treasury showed a surplus of \$750 over current expenses, derived from an increase of flying members and to the use of club equipment in excess of the estimated fifty hours a month or 600 hours a year.

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Management Research Division

The Conference Board Management Record

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